



BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

20 May 2015

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

Dear Chair and Senators

The Business Council of Co-operatives and Mutuals (BCCM) represents co-operative and mutual models of enterprise. BCCM is an association of the chief executives of Australia's member and customer-owned business and peak industry groups representing a sector with a combined membership of more than 13.5 million Australians.

Ahead of BCCM's formal submission to the Committee's inquiry into cooperatives, mutuals and member-owned firms we wanted to draw the Committee's attention to three publically available documents that help define what cooperatives and mutuals are, and the contribution they make to Australia:

1. BCCM's 'Blueprint for an enterprising nation' provides an introduction to the sector, its contributions, and articulates improvements to existing policy frameworks.
2. 2014 National Mutual Economy Report outlines the contribution the sector makes to the Australian economy.
3. BCCM's Public Service Mutuals White Paper outlines the contribution a cooperative/mutual model can make to delivery of Government services, providing an alternative pathway to the current privatisation paradigm.

The above three documents are attached.

BCCM's formal submission will set out fully the role of cooperatives and mutuals in Australia, their contribution both socially and economically, current barriers, and how the sector can be used to provide greater social and economic dividends to Australia.

Yours sincerely

Melina Morrison  
Chief Executive Officer



BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

# Blueprint for an enterprising nation

How Australia's co-operative and mutual businesses  
can contribute to our nation's growth and prosperity







**BUSINESS COUNCIL**  
OF CO-OPERATIVES AND MUTUALS

Published by BCCM  
Business Council of Co-operatives and Mutuals  
GPO Box 5166  
Wynyard 2001  
[www.bccm.coop](http://www.bccm.coop)



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c/o Westminster Bridge Partnership  
PO Box 71312  
GB - London SE17 9DL  
[mutuo.co.uk](http://mutuo.co.uk)

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# About the BCCM

The Business Council of Co-operatives and Mutuals (BCCM) is a powerful new voice in the business community representing the co-operative and mutual models of enterprise. It is the only organisation that unites the entire, diverse range of member-based businesses in Australia.

The BCCM formed in 2013 as a legacy of the United Nations International Year of Co-operatives to promote the role of co-operatives and mutuals in the economy. Businesses owned by or on behalf of their members represent a sector with a combined membership of more than 13 million.

The BCCM is the national networking home of member-based businesses which aims to foster innovation and build business relationships.

- The BCCM exists to promote awareness of co-operative and mutual business models and to foster business diversity.
- The members of the BCCM believe that an economy with a higher incidence of co-operative and mutual businesses will help to build a more inclusive, prosperous and sustainable Australia.
- Members of the BCCM also recognise the role of business in showing leadership and promoting informed national discussion on important issues.



# Preface

**“The Australian economy is facing some key challenges of productivity, competitiveness and resilience in the face of an ongoing shaky global recovery from the GFC.**

**The co-operative and mutual sector of the Australian business community can play an important part in dealing with those challenges and ensuring a strong, diverse and community focused economy.”**

The Business Council of Co-operatives and Mutuals was created to bring together the combined strength of the sector to demonstrate what we can do to develop the nation’s economy, as a long standing but often unrecognised part of the Australian business community.

From farming to finance, health to housing, motoring to manufacturing, our members have been delivering trusted products and services in some of the most competitive domestic and international markets. The co-operative and mutual business model has a lot to offer when considering how to strengthen and grow the Australian economy.

This policy blueprint clearly outlines the tangible benefits of providing goods and services through member owned businesses and some specific steps government and the sector itself can take to support and grow this important part of the economy.

The report provides the base for a conversation with all parts of government. We know that we will get a fair hearing as both government and opposition have shown a willingness to engage with the exciting new agenda for member-based business. The Agriculture Competitiveness Green Paper, and interim Competition Inquiry and Welfare Review have each recognised the relevance of our business sector to the Australian economy.

It is a simple and very achievable agenda grounded in sound evidence and good business practice. Our businesses are committed to helping to grow and share the prosperity of our nation with all Australians, and this plan provides a roadmap for making that a reality.

We are ready to engage with you on the suggestions for change and work with you on making a stronger more diverse economy a reality.

**Andrew Crane**  
Chairman BCCM



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# Executive Summary

**Co-operatives and mutuals are important to the prosperity of Australia. They help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.**

**Co-operatives and mutuals are member based businesses owned by or on behalf of their customers, employees, a group of like-minded producers or a combination of these.**

**Today, three out of the top ten Australian private firms in the IbisWorld Top 500, are co-operatives; two are in the top five. Eight in ten Australians are members of at least one mutual. Member owned businesses exist in every State and Territory of the Commonwealth. Australia has 1,700 co-operatives and mutuals and a combined membership base of more than 13 million.**

## **Co-operatives and mutuals are good for Australia and Australians**

Co-operatives and mutuals can help Government to grow the Australian economy by contributing towards a range of public policy objectives:

- Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy
- Establish longer-term business strategies
- Provide competition and choice for consumers in a range of markets
- Provide employment opportunities for Australians
- Spread wealth throughout the country
- Re-build and maintain public trust in business
- Provide business structures for public service providers that keep them accountable to their users and taxpayers

## **Blueprint for an enterprising nation**

To ensure that these firms fulfill their potential, the BCCM calls on all politicians to support this Plan which suggests how to create the environment for co-operative growth and prosperity, which will benefit our nation and its people.

The 'Blueprint for an enterprising nation' has five sections where we suggest that Government can act:

- Leadership through policy and fiscal measures
- Improving the architecture of Government
- Facilitating a deeper understanding and appreciation of co-operatives and mutuals
- Modernising the rules and regulations governing co-operatives and mutuals
- Extending mutuality to serve the public interest

We recognise that Government cannot do everything for co-operatives and mutuals and we have also included self help actions that we should take to make this plan work.

In all, we make 25 recommendations for action, as part of a new and dynamic partnership between our sector and Government.

### **1 Leadership through policy and fiscal measures**

The fundamental starting point for co-operative and mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.

- 1.1 The Federal Government and each of the political parties should adopt a 'Mutuals Charter,' which sets out the principles for working with the mutual business sector.
- 1.2 Government should introduce a policy fitness test that can be applied to specific proposals.
- 1.3 Fiscal rules should recognise the different purpose of co-operative and mutual business.
- 1.4 Government business policy should support mutual enterprise.

# Executive Summary

## 2 Improving the architecture of Government

Reforms are needed to the way political leadership is exercised, the infrastructure through which Federal and State governments will support this role, and the way the legislation and regulation is organised that governs the mutual sector.

- 2.1 Ministers at Federal and State level will need to provide political leadership by taking responsibility for the delivery of the Mutuals Charter.
- 2.2 The Federal Government should appoint a Minister with responsibility for co-operatives and mutuals.
- 2.3 Government should adopt a clear and unambiguous definition of mutual business that encompasses co-operatives, mutuals and member owned firms, as part of a diverse enterprise sector.
- 2.4 State and Federal Governments should ensure that the officials responsible for interacting with co-operatives and mutuals are suitably qualified, trained and supported in their role interacting with co-operative and mutual businesses.
- 2.5 Government should ensure that regular official statistics measuring diversity of business ownership are collected at State level, and combined at Federal level to permit annual comparisons.

## 3 Facilitating a deeper understanding and appreciation of mutuals

Co-operative and mutual business forms are not well understood by policy makers, lawyers and accountants or other business advisors.

- 3.1 Government should ensure that the education system includes modules that teach students about diverse business ownership in all relevant business curricula.
- 3.2 Business support that is funded by Federal or State Government should be equally available to provide support to co-operatives and mutuals.

## 4 Modernising the rules and regulations governing co-operatives and mutuals

Co-operatives legislation is inconsistent between jurisdictions, restricts free trade across States and Territories and suffers duplicative Federal and State regulatory requirements. Mutuals are governed by the Federal Corporations Act regime. Supervision by ASIC represents a policy vacuum with most regulatory development originating from the prudential regulator for financial mutuals, APRA.

- 4.1 The co-operative and mutual sector is a significant and relevant part of the whole Australian economy. It follows that it needs a nationally consistent legislative framework and a clear administrative policy to enable it to compete on a level playing field with other corporate forms on a national and international basis.
- 4.2 There should be consistent policy development between Federal regulation of mutuals and State regulation of co-operatives.
- 4.3 Federal and State Government should act to develop an environment that encourages the continuity of co-operatives and mutuals through education and innovative policy.
- 4.4 Government should conduct a review of legislative processes that govern demutualisations in the co-operative and mutuals sector.
- 4.5 Federal and State and Territory Governments should ensure that regulatory bodies do not act in ways that disadvantage co-operative and mutual businesses.

# Executive Summary

## 5 Extending mutuality to serve the public interest

Co-operatives, mutuals and member owned businesses can play a major role in delivering public services. By combining the discipline of business with a commitment to public service that is accountable to taxpayers, co-operatives and mutuals can offer a better way of serving the public interest.

5.1 Federal and State Governments should adopt new public interest principles when considering altering the corporate status of public service providers.

5.2 Government should take steps to encourage new co-operative and mutual public service providers by establishing a receptive policy framework and encouraging innovative ways of delivering services. As is increasingly happening in other countries, these new mutuals can be created by the conversion of existing state or federally owned businesses into new independent public interest businesses.

This approach of giving customers a greater say in the things that affect their lives can also be applied across all business where there is a distinct public interest, for example in professional sport clubs where too often the interests of supporters are distant from the owners of the clubs.

5.3 Supporter involvement and ownership in football and rugby clubs (as well as other sports and codes) should be promoted as a strategy for building trust and confidence for the long term.

## 6 Self help and self reliance: What the sector should do for itself

Government will not be able to provide all of the answers for the sector. As true self-help organisations, co-operatives and mutuals have a responsibility to help themselves.

6.1 Co-operatives and mutuals of all types should work together, and the largest firms in each sector should provide a leadership role through the overall peak body, the BCCM.

6.2 In some sectors, firms are too small to serve their members properly in competitive markets. In such cases, they should consider merging together to create robust businesses without loss of member benefit.

6.3 The sector should pool its expertise to help develop answers to common problems, innovating and learning from the best international examples and participating in pan-national mutual groups.

6.4 Co-operatives and mutuals should ensure that they adopt the highest standards of corporate governance.

6.5 A national development body to promote and assist mutual business development should be established as a partnership between the mutual sector and government.

6.6 The Australian co-operatives and mutuals sector should increase the political focus of its work with MPs and Senators to create an All Party Parliamentary Friendship Group for Co-operatives and Mutuals.



# Introduction

**Co-operatives and mutuals have played an important part in the development of the Australian economy. From the earliest days, Australians have co-operated in business, both out of necessity and from a shared sense of purpose.**

**By bringing together the natural entrepreneurialism of a new nation, the Australian inclination towards self-help, with the common sense to work together for the common good, mutually owned business has formed part of the bedrock of the Australian economy.**

These mutuals have been in business for the long-term, focused on their core purpose of serving their members and the wider community. Member owned businesses exist in every State and Territory of the Commonwealth. Australia has 1,700 co-operatives and mutuals and a combined membership base of more than 13 million.

Co-operatives, mutuals and member owned firms are successful. They are important. They are home grown.

Mutuals and co-operatives succeeded without outside help but too often their contribution to the Australian economy and society has been overlooked. As a result, the level of appreciation of mutual business by Federal and State governments is surprisingly low, which has made doing business harder for these firms.

Demutualisation completely changed the face of the sector since the 1980s. It carved a hole through financial services mutuals by slicing off many of the largest firms as they converted to listed companies. This inclination towards shareholder owned business as the 'norm' has had a damaging effect on the member owned sector and the way it is perceived.

In government, this bias is seen in the binary debate which has divided people between public ownership and privatisation. The opportunity now is to choose a real alternative – mutual ownership which is independent of government but committed to a public purpose.

All parties should now consider how best to maintain government owned business in the public interest whilst freeing it to act commercially within the revitalised co-operative and mutual sector.

Though Australia was better protected than many countries by its regulatory system, the global financial crisis of 2008 exposed the risk to leading economies of having markets dominated by similarly structured businesses that were essentially focused on the same short to medium term economic outcomes.

The lesson is that there is a real need to address the risk that a single dominant corporate form, dependent on market fluctuations, can pose to the health of our economy and society.

That there should be more corporate diversity, if only to spread risk, is now becoming a much more widely held view. In turn, there is a new opportunity for economic policy to be re-cast in order to better manage markets, protect consumers and taxpayers as well as to promote sustainable wealth creation.

This is the opportunity in which co-operatives and mutuals can play a vital part, in financial services, business growth and public service provision.



# About our sector

Co-operatives and mutuals are member based businesses owned by or on behalf of their customers, employees, a group of like-minded producers or a combination of these.

The purpose of these firms is different from other businesses: they exist to serve their members rather than to reward capital investors.

Eight in every ten Australians are members of a co-operatively or mutually owned enterprise. These include some of Australia's best known brands such as road side assistance organisations like NRMA and RACWA, a member-owned superannuation fund like AustralianSuper, a mutually owned bank such as bankmecu and Beyond Bank, a non profit health insurer like HCF or a consumer co-operative like The Co-op bookshop. Similarly, large businesses such as the dairy co-operative Murray Goulburn or the giant grain handling enterprise Co-operative Bulk Handling (CBH Group) are collectively owned by the farmers who supply them.

Business logistics co-operatives like Capricorn Society provide services to their small and medium business members, water utility mutuals irrigate Australia's farms; and childcare, health and social services co-operatives like National Health Co-operative serve diverse communities in our country.

Each type of co-operative and mutual is defined by its own history, legal framework and market experience. Each has responded differently to changes in the size and impact of the sector but many share common challenges.

Their purpose is to serve their members, who are also their customers, suppliers, their employees or a mixture. They do not have external capital shareholders, and this distinguishes both their ownership and their business focus from proprietary firms. It means that they can concentrate directly on the products or services that they exist to provide, instead of the economic reward for shareholders. It is a different way of doing business – with a different purpose.

Where there is a proper alignment between the products and services and the interests of the member-owners of the co-operative or mutual, this way of doing business works well. With good management it is efficient, with no leakage of value from the business, and provides a systemic advantage over investor owned firms.



# Co-operatives and mutuals are big business

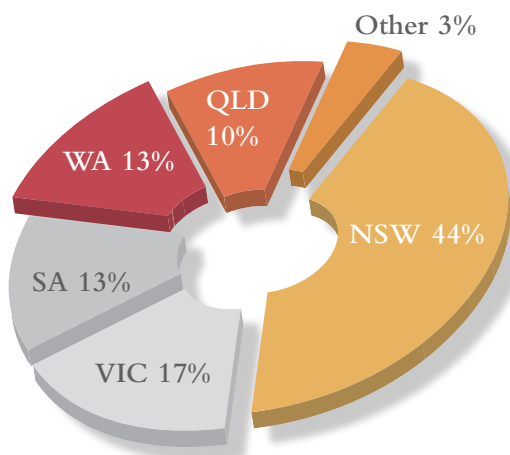
Co-operatives and mutuals can meet the following modern business challenges, where:

- Competition is needed as a counterbalance to market dominance
- Services would otherwise not exist
- Economies of scale can be achieved by smaller producers working together
- Better value can be achieved through price lowering/profit sharing
- Providing satisfying and rewarding work is a priority
- The quality of services provided is paramount
- A trusted provider is required
- Direct accountability to customers is essential
- User and employee involvement is critical for future viability
- The business is conducted in the public interest

As co-operatives and mutuals serve their members by delivering on their core purpose, they provide value to the economy and society as a whole. The next section shows how our country can benefit from a successful co-operative and mutual sector.

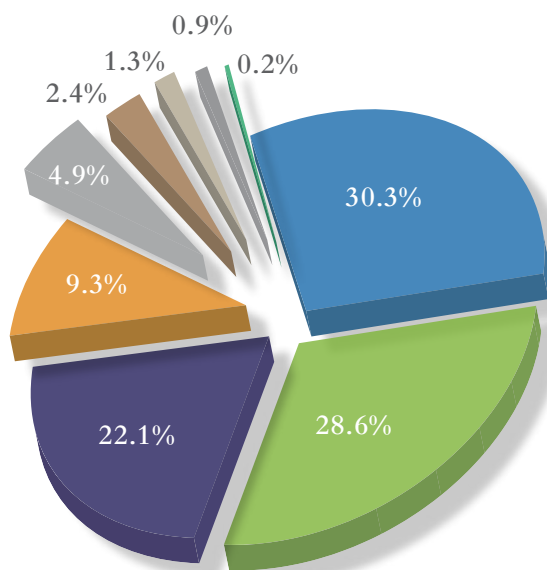


### Top 100 Co-operative and Mutuals distribution by State and Territory



How the sector is distributed between states and territories

### Co-operatives and mutuals matter to the whole economy



#### Breakdown of the sector by business activity

- Insurance
- Agriculture Producer
- Banking and Finance
- Personal services
- Shared services
- Wholesale/Purchasing
- Retailing
- Fishing
- Housing

Top 100 Co-operatives and Mutuals in Australia



# Co-operatives and mutuals and Australians

## **The vision for co-operatives and mutuals will help Government to grow the Australian economy by contributing towards a range of public policy objectives:**

- Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy
- Establish longer-term business strategies
- Provide competition and choice for consumers in a range of markets
- Provide employment opportunities for Australians
- Spread wealth throughout the country
- Re-build and maintain public trust in business
- Provide business structures for public service providers that keep them accountable to their users and taxpayers

## **Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy**

All advanced economies benefit from a range of corporate forms, to ensure that no business sector is entirely prone to dramatic changes in the stock market, thus safeguarding Australian business from over-reliance on listed firms.

## **Establish longer-term business strategies**

Without the need to respond to short term stock market pressures, co-operatives and mutuals are able to adopt longer term business strategies. Their success is evidenced by the longevity of mutual businesses, many of which have traded continuously for over 100 years.

## **Provide competition and choice for consumers in a range of markets**

Co-operatives and mutuals are good for the markets that they

operate in. Their presence means that there is a permanent competitive pressure on profit maximising firms.

In financial services in particular, co-operatives and mutuals can promote competition through a range of diverse business options and products.

## **Spread wealth throughout the country**

Co-operatives and mutuals are successful businesses that share their profits through lower prices to customers and dividends to members so that more Australians can benefit from our natural resources and ingenuity. They reward loyalty and hard work for their members' contribution in making their businesses a success. They provide employment opportunities across regional and metropolitan Australia and are good for agriculture, bringing back fairness and equity to market supply chains.

## **Re-build and maintain public trust in business**

Research consistently shows that the public trusts co-operatives and mutuals more than other types of business. This is because they have been established to serve their customers, rather than their investing shareholders. This means that not only do they have an in-built advantage in not having to pay dividends to outside shareholders, but they can concentrate on running the business in a way that best meets the needs of their customers.

## **Provide business structures for public service providers that keep them accountable to their users and taxpayers**

Co-operatives and mutuals are increasingly seen as a good choice for providing public services. Australia can lead the way in reforming public service provision by enabling new mutual businesses to provide high quality and efficient services, whilst maintaining a public service ethos.

# are good for Australia





# Blueprint for an enterprising nation

Co-operatives, mutuals and member based businesses help to create an economy and society that works in the interests of the widest number of people by sharing ownership and the rewards of business. They spread wealth and prosperity to many Australians and provide commercial services that work in the interests of consumers and organisations that protect the public interest.

By its actions, the Federal Government can help to grow this sector, enabling these businesses to fulfil their potential and thereby deliver a wide range of public policy objectives, such as:

- Strengthen a home grown, Australian owned business sector
- Spread wealth more broadly and fairly throughout the country
- Provide competition and choice for consumers in a range of markets especially those for essential goods and services
- Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy
- Establish business strategies for a healthy, balanced economy with businesses that take a longer view
- Create business structures for public service providers that keep them accountable to their users and taxpayers, reducing centralisation and bureaucracy
- Provide business structures that protect the public interest
- Provide more than just an economic benefit to local communities by aiding social bonding and stakeholder empowerment
- Rebuild and maintain public trust in business

Each of Australia's political parties should embrace this agenda as its own – and commit to the actions necessary for co-operative and mutual businesses to make their full contribution to our economy and society.

This agenda means that politicians can play an important role in ensuring that mutuals play a full part in the future success of the Australian economy and society through:

- Leadership through policy and fiscal measures
- Improving the architecture of Government
- Facilitating a deeper understanding and appreciation of co-operatives and mutuals
- Modernising the rules and regulations governing co-operatives and mutuals
- Extending mutuality to serve the public interest

We recognise that Government cannot do everything for co-operatives and mutuals. There are also self help actions that the sector itself should take to make this plan work.



# 1

# Leadership through policy a

**The Federal and State governments will set the tone for the Australian business environment through their business policies and related fiscal measures.**

**The fundamental starting point for co-operative and mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.**

## **1.1 The Federal Government and each of the political parties should adopt a 'Mutuals Charter,' which sets out the principles for working with the mutual business sector:**

- Co-operatives, mutuals and member owned businesses should be able to compete freely and on fair terms with all types of business
- Government should champion these business forms on an equal basis alongside other types of corporate ownership
- Government policy should recognise the value of these businesses and provide appropriate incentives for their creation and development
- Fiscal measures should promote co-operatives, mutuals and member owned businesses as much as share ownership of publically listed companies
- Legislation and regulation for these firms should match the best standards for any business
- It should be as cost effective and straight forward to set up and run a co-operative, mutual or member based businesses as any other type of business

- The unique contribution that co-operatives and mutuals can make in public and community services should be recognised and supported by Government

BCCM will campaign among politicians at all levels and across all political parties in order to seek their support for this Mutuals Charter.

## **1.2 Government should introduce a policy fitness test that can be applied to specific proposals:**

- Is proposed legislation fair to co-operative and mutual enterprise?
- Is a specific funding or policy initiative agnostic in relation to the ownership structure?
- Can we ensure there are no unintended disproportionate consequences to co-operatives and mutuals from a Government proposal?

## **1.3 Fiscal rules should recognise the different purpose of co-operative and mutual business:**

- Fiscal policy should recognise the contribution that co-operatives and mutuals make to their local economies
- Fiscal incentives for business should not exclude co-operative, mutual or member based business

# and fiscal measures

## **1.4 Government business policy should support co-operatives and mutuals enterprise:**

- Competition for government contracts should not discriminate against or exclude co-operatives and mutuals
- Government should introduce the principles of mutuality as the economic and governance tests under ASIC
- Consider co-operatives and mutuals in State growth initiatives a means of involving communities
- Conditions should be applied to government funding of non-governmental organisations (NGOs) that include member/user ownership criteria
- Government should allow competitive access to logistics infrastructure where public subsidy has been provided
- Government should consider the intrinsic value of domestic co-operative ownership when compared to foreign ownership
- Export policy should promote Australian co-operatives and mutuals on the basis of their domestic ownership
- Government should ensure coordination of the timing of the various merger and acquisition approval processes that exist under Australian law

# 2

## Improving the architecture of Government

**The way in which the institutions of Federal and State governments are set up will play a key role in the effectiveness of any policy commitment.**

Co-operatives, mutuals and member owned businesses will interact with Federal and State Ministers, government departments and public bodies on a regular basis. These organs of government must be arranged so that they are able to fulfil the commitment in the Mutuals Charter.

This means that reforms are needed to the way political leadership is exercised, the infrastructure through which Federal and State governments will support this role, and the way the legislation and regulation is organised that governs the co-operative and mutual sector.

**2.1 Ministers at Federal and State level will need to provide political leadership by taking responsibility for the delivery of the Mutuals Charter.**

**2.2 The Federal Government should appoint a Minister with responsibility for co-operatives and mutuals.**

- State governments should follow suit, with opposition parties filling a corresponding shadow portfolio
- The portfolio holder will take accountability within government for co-operative, mutual and member owned business
- They will undertake international co-operation with equivalent ministers

**2.3 Government should adopt a clear and unambiguous definition of mutual business that encompasses co-operatives, mutuals and member owned firms, as part of a diverse enterprise sector.**

**2.4 State and Federal Governments should ensure that the officials responsible for interacting with co-operatives and mutuals are suitably qualified, trained and supported in their role interacting with co-operative and mutual businesses.**

**2.5 Government should ensure that regular official statistics measuring diversity of business ownership are collected at State level, and combined at Federal level to permit annual comparisons.**

# 3

## Facilitating a deeper understanding and appreciation of co-operatives and mutuals

**Co-operative and mutual business forms are not well understood by policy makers, lawyers and accountants or other business advisors.**

This is partly due to the lack of business education about co-operatives and mutuals, but also reflects the inherent bias towards proprietary companies. As a result, business advice for those wishing to set up a co-operative or mutual is inconsistent and sketchy at State level, and too often, the different business purpose that mutuals have is ignored, leading to inappropriate regulation and treatment from authorities.

**3.1 Government should ensure that the education system includes modules that teach students about diverse business ownership in all relevant business curricula:**

- Ensure that schools and tertiary institutions provide this curriculum content
- Ensure that governance and taxation education includes curricula relevant to the model
- Modules on mutual ownership should be developed and introduced into professional development programmes for business advisors, lawyers and accountants
- Legal and accounting professionals should be informed about updates and changes in legislation to keep abreast of the legislative and regulatory settings
- Governance training specific to co-operative and mutual models of business should be introduced for directors

**3.2 Business support that is funded by Federal or State Government should be equally available to provide support to co-operatives and mutuals:**

- Government should ensure that private sector business advisors have appropriate co-operative and mutual sector expertise
- Co-operatives and mutuals need geographically based business support provided at a State level
- There should be equal recognition of co-operatives and mutuals by the various small business development bodies



# 4

# Modernising the rules and co-operatives and mutuals

**Co-operatives legislation is a matter for State (and Territory) governments. Certain fundraising activities of co-operatives are subject to an additional layer of federal legislation.**

Resultant co-operatives legislation is inconsistent as between jurisdictions, restricts free trade across States and Territories and suffers duplicative Federal and State regulatory requirements.

Mutuals (including financial mutuals) are governed by the Federal Corporations Act regime. Supervision by ASIC represents a policy vacuum with most regulatory development originating from the prudential regulator for financial mutuals, APRA.

**4.1 The co-operative and mutual sector is a significant and relevant part of the whole Australian economy. It follows that it needs a nationally consistent legislative framework and a clear administrative policy to enable it to compete on a level playing field with other corporate forms on a national and international basis.**

- States and Territories should promptly adopt and commence the Co-operatives National Law in their respective jurisdictions
- States and Territories should develop and publish consistent policy statements and regulatory guides
- All States and Territories should develop consistent registry and administrative services to enable efficient and simplified access to information on public registers and to regularise registration details for co-operatives
- The Federal Government should roll back duplicative disclosure requirements in respect of co-operative securities
- The Federal Government should clearly exempt registered co-operatives from Part 5B.2 of the Corporations Act 2001

**4.2 There should be consistent policy development between Federal regulation of mutuals and State regulation of co-operatives:**

- ASIC and State regulators should combine in the development of regulatory policy that impacts upon mutuals and co-operatives to ensure consistency and competitive neutrality as between co-operatives, mutuals and companies
- States should regularly engage with the Commonwealth to review and update the Co-operatives National Law to ensure competitive neutrality
- The criteria for what is a mutual should be articulated in the Corporations Act in accordance with ASIC Regulatory Guide 147 along with appropriate policy regarding the issue of investor shares and other securities.
- Government should protect the use of the terms, 'mutual,' 'member-owned' and 'community banking'

**4.3 Federal and State Government should act to develop an environment that encourages the continuity of co-operatives and mutuals through education and innovative policy.**

Co-operatives and mutuals both have difficulty in accessing capital from the broader market for their continued operation and must rely heavily upon member commitment and loyalty over the long term. Recognition of the value of external investment securities and the ability also to provide rewards for long term loyalty are not well understood by capital markets, professionals and policy makers.

- Federal and State and Territory regulators should clarify and simplify their regulatory policy on investor shares and other non-voting securities

# regulations governing

- Federal and State and Territory governments should encourage education providers and professional education institutions to research and develop innovative finance models for co-operatives and mutuals that preserve their member focussed principles

#### **4.4 Government should conduct a review of legislative processes that govern demutualisations in the co-operative and mutuals sector.**

- This should consider introducing options to adopt a mutual corporate structure that cannot be demutualised, as currently exists in a number of European countries
- Legislation should facilitate mergers between different types of mutuals without requiring either to demutualise

#### **4.5 Federal, State and Territory governments should ensure that regulatory bodies do not act in ways that disadvantage co-operative and mutual businesses:**

- Governments should require that regulatory approval processes do not negatively impact or restrict access to co-operatives and mutuals
- Governments should require the Australian Accounting Standards Board to review their interpretation of standards that appear to require member shares in co-operatives and mutuals to be recorded as liabilities and not equity
- A new responsibility to promote competition through business diversity should be introduced in regulators' mandates

# 5

## Extending mutuality to serv

### **Co-operatives and mutuals can play a major role in delivering services that are responsive to the needs of users and reflect the contribution of staff members.**

Across Australia, the Commonwealth and the States directly provide public services through departments of government or publicly owned enterprises. So far, the desire to achieve independence and efficiency for service providers has led to the binary choice between public ownership and privatisation.

By combining the discipline of business with a commitment to public service that is accountable to taxpayers, co-operatives and mutuals can offer a better way of serving the public interest.

#### **5.1 Federal and State Governments should adopt new public interest principles when considering altering the corporate status of public service providers:**

- Government should always consider a mutual option before deciding to privatise a public service provider
- Non-government providers should be required to include staff and customers in their governance provisions
- There should be a recognition that the cheapest bid does not always offer the best long-term value for the taxpayer, and the non-economic community value should also be assessed

#### **5.2 Government should take steps to encourage new co-operative and mutual public service providers by establishing a receptive policy framework and encouraging innovative ways of delivering services. As is increasingly happening in other countries, these new mutuals can be created by the conversion of existing state or federally owned businesses into new independent public interest businesses.**

- State Governments should evaluate the conversion of public schools to multi-stakeholder mutuals, which will give memberships to parents and staff
- State Governments should evaluate the conversion of public hospitals to multi-stakeholder mutuals, which will give memberships to the public and staff

- State Governments should evaluate the conversion of public housing providers to multi-stakeholder mutuals, which will give memberships to tenants and staff
- State Governments should make their public transport provision accountable to the public by evaluating converting state owned businesses into co-operatives or mutuals, with memberships offered to passengers and staff
- The Federal Government should establish a Commission of Inquiry to provide a report that considers the potential mutualisation of Australia Post, alongside the public and private ownership options

This approach of giving customers a greater say in the things that affect their lives can also be applied across all business where there is a distinct public interest, for example in professional sport clubs where too often the interests of supporters are distant from the owners of the clubs.

New mutuals in the form of 'Supporter Trusts' can offer exciting opportunities for giving fans a say in their clubs and helping to build partnerships between club owners and supporters.

#### **5.3 Supporter involvement and ownership in football and rugby clubs should be promoted as a strategy for building trust and confidence for the long term:**

An Australian 'Supporters Direct' should be established to provide advice and practical guidance to supporter groups that wish to take an ownership stake in their professional sports clubs.

- This should be paid for by a modest levy on the turnover of Australian professional sports clubs
- Government should legislate to protect certain football community assets (club colours, club name, home ground ownership) from sale or abuse

West Belconnen Health Co-op Ltd

*Better Health Together*

in the public interest



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# 6

## Self help and self reliance: What co-operatives and mutuals should do for themselves

Government will not be able to provide all of the answers for the co-operative and mutual sector. As true self-help organisations, co-operatives and mutuals were established by like minded people seeking to work together for their benefit and that of society as a whole. They have a responsibility to help themselves.

There are a number of actions that the sector itself can take to help to plan its own future and ensure that co-operatives and mutuals play a full part in our economy and society.

**6.1 Co-operatives and mutuals of all types should work together, and the largest firms in each sector should provide a leadership role through the overall peak body, the BCCM:**

- It should be responsible for clarifying and quantifying the size and reach of the sector
- A co-operative and mutual brand should be developed to assist identification
- Individual trade bodies should take responsibility for their own part of the sector
- It should promote inter-mutual trade

**6.2 In some sectors, firms are too small to serve their members properly in competitive markets. In such cases, they should consider merging together to create robust businesses without loss of member benefit.**

**6.3 The sector should pool its expertise to help develop answers to common problems, innovating and learning from the best international examples and participating in pan-national mutual groups.**

**6.4 Co-operatives and mutuals should ensure that they adopt the highest standards of corporate governance.**

**6.5 A National development body to promote and assist co-operative and mutual business development should be established as a partnership between the sector and Government. It would:**

- Act as the national development body
- Integrate into existing government entities working with start-ups
- Identify new market sectors, assist and support them in tendering for government work
- Provide a national centre of information for business advisors

**6.6 The Australian co-operative and mutual sector should increase the political focus of its work with MPs and Senators to create an All-Party Parliamentary Friendship Group for Co-operatives and Mutuals.**











BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

# 2014

## National Mutual ECONOMY REPORT

Incorporating the Top 100  
& Executive Insights Survey









This report is an initiative of the Business Council of Co-operatives and Mutuals



With the research collaboration of the University of Western Australia



For information contact the Business Council of Co-operatives and Mutuals

[www.bccm.coop](http://www.bccm.coop)

## ABOUT THE BCCM

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The Business Council of Co-operatives and Mutuals (BCCM) is an organisation of the chief executives of Australia's member and customer-owned businesses and their peak industry groups, representing a sector with a combined membership base of more than 13 million.

The BCCM is a national network promoting awareness of the benefits of co-operative and mutual businesses. The BCCM believes that the growth of co-operative and mutual business models will build a more diverse economy and a more inclusive, prosperous and sustainable Australia. The BCCM provides leadership in the important areas of research, education and advocacy to build a strong sector.

## STATE OF THE SECTOR

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The BCCM is delighted to sponsor this first report exploring the contribution of co-operatives and mutuals to the Australian economy. The data collected on Australia's Top 100 Co-operative and Mutual Enterprises creates a benchmark for monitoring the performance of the sector over coming years.

The rationale behind this work is that we believe it is now time for our sector to better understand itself and to promote its achievements. Our sector is a quiet achiever in many realms of Australian society. The simple facts presented throughout this document show that co-operatives and mutuals receive surprisingly low levels of recognition for their very significant contributions to the Australian economy and community.

In difficult economic times, co-operatives and mutuals have consistently demonstrated they offer models of enterprise that are democratic, efficient and highly resilient. Their place in history and on the world stage is highlighted in this report.

This is a watershed time for co-operatives and mutuals in Australia. The number of politicians and recent government inquiries that are calling for growth in the sector is striking. Many are recognising that increased support for co-operatives and mutuals will encourage market diversity, strengthen competition and enhance civil society.

We think readers of this report will find some surprises. It is a cogent demonstration of how co-operatives and mutuals build a more diverse economy and a more inclusive, prosperous and sustainable Australia.

### **Melina Morrison**

*Chief Executive Officer*

Business Council of Co-operatives and Mutuals

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**CHAPTER 1:  
COMPETITIVE  
ADVANTAGE**



## BACK TO THE FUTURE

---

During the nineteenth and early twentieth centuries the friendly societies were the most important providers of social welfare in Britain. By the 1920s, at least one out of every three males in the US was a member of a mutual-aid society.

'Friendlies' served social, educational, and economic functions. They were an association of individuals who pledged to help each other when the occasion arose. Assistance was not a matter of largesse but of entitlement, earned by the regular contributions paid by every member and justified by the obligation to do the same for other members if hardship came their way. The prevailing ethic in the earliest clubs was that everyone should have an equal say in common decisions. The societies prided themselves on the absence of barriers to the advancement of any member.

In the second half of the nineteenth Century, Australians pioneered mutuals and friendly societies across the six colonies. Found in every community, these institutions were voluntary and self-regulating.

By the eve of the First World War, around 400,000 friendly society members helped to fund benefits for over one million Australians. Today, Australia's 13 million plus members of co-operative and mutually owned businesses are in our motorists mutuals, non-profit health funds, customer owned banks, agricultural-business giants, retail conglomerates, member-owned super funds and numerous local health and community services organisations.

*(Image courtesy of Macleay Regional Co-operative Ltd.)*



## 10 THINGS YOU MAY NOT KNOW ABOUT CO-OPERATIVES AND MUTUALS

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1 Co-operatives and mutuals from the 10 largest world economies generate an aggregate turnover just a little less than the GDP of Italy

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2 Co-operatives and mutuals provide employment for over 250 million individuals worldwide, almost 12% of the employed population of the G20 countries


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3 Co-operatives and mutuals have a membership of at least 15% of the world's adult population

---

4 Mutual and co-operative insurers had 26.7% of the global insurance market in 2013. Mutual insurance has been the fastest-growing part of the global insurance industry since 2007

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5 Eight in ten Australians are members of at least one co-operative or mutual organisation 


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6 In Australia, co-operatives and mutuals including member-owned Superfunds contribute around 7% of our country's earnings 


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7 Three out of the top ten private Australian firms are co-operatives or mutuals; two are in the top 5 


---

8 Australia's top 35 privately-owned superannuation funds are all member-owned; they are also big investors in Australian infrastructure assets 

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9 In 2012, 13.5 million Australians were members of co-operatives and mutuals, over double the number who owned shares (6.68 million) 

---

10 In 2013, the combined annual turnover of the Australian Top 100 co-operative and mutual enterprises (excluding Superannuation funds) was over \$25 billion 

## CO-OPERATIVES AND MUTUALS: BEHIND THE BRANDS



*Image courtesy of Capricorn Society.*

\*Source: Roy Morgan Research Customer Satisfaction Survey, 6 months to September 2014, Australians aged 14 and over. Comparison of average customer satisfaction ratings for customer owned banking institutions versus the major banks. Satisfaction is the proportion of respondents who answered 'very satisfied' and 'fairly satisfied'.

## THE 'TRIPLE' EFFECT

---

Co-operatives and mutuals build a more inclusive and prosperous economy in 3 ways

### OUTCOMES

#### Economic success

Co-operatives and mutuals create employment, they lead to lower production costs and higher productivity; they are innovative, profitable and resilient to economic downturn. They enhance competition and provide market diversity.

#### Social success

Co-operatives and mutuals unleash entrepreneurialism, increase consumer choice and can deliver effective social services in markets that are small, remote, complex or specialised.

#### Environmental success

Co-operatives work for the sustainable development of their communities through policies approved by their members. Many co-operatives seek to minimise their environmental impact and offer sustainable products and services.

### CHARACTERISTICS

#### Principles

Voluntary and open membership, democratic control and member economic participation, autonomy, education and training, co-operation among co-operatives, concern for community.

#### Values

Self help, responsibility, democracy, equity, equality.

#### Ethics

Open, honest, socially responsible, care for others.

### DIFFERENCES

#### Ownership

The organisation is owned and used by members; or it is owned exclusively to benefit the members.

#### Profits

Whether back to the business or for the benefit of their community, all profits are reinvested for members.

#### Control

Democratic ownership means decisions are made for common good.

## GROWING MOMENTUM

---

In the early 1900s over 400,000 friendly society members helped fund benefits for over one million Australians. By 2012, 13.5 million Australians were members of co-operatives and mutuals.

"The most successful rural organisations in Australia are co-operatives. It allows people the capacity to reach further down the supply chain," *Agriculture Minister Barnaby Joyce launching the Government's Green Paper on competitiveness in agriculture, October 2014*

"We believe in adept and adroit for-purpose organisations and social enterprises that can adapt to changing circumstances and evolving needs. No group of Australian organisations better embodies these principles than the co-operative and mutual sector." *Minister for Social Services Kevin Andrews launching the BCCM White Paper on Public Service Mutuals, September 2014*

"... co-operatives help to reduce welfare dependency... provide jobs for local people, offer goods and services and use procurement practices that support local business. They are grassroots businesses, owned and operated at a local level, and their profits remain in the community contributing to local economic development. They are a great example of social and economic participation." *McClure "Interim Report, A New System for Better Employment and Social Outcomes", 2014*

"There is broad support for the exemption process for collective bargaining by small business which is designed to recognise unequal bargaining power between parties to a business transaction ... Raising awareness of these provisions, including but not limited to raising awareness of co-operatives, will promote their use and potentially strengthen the bargaining position of small businesses in dealing with large businesses." *Harper Competition Policy Review, Draft Report 2014*

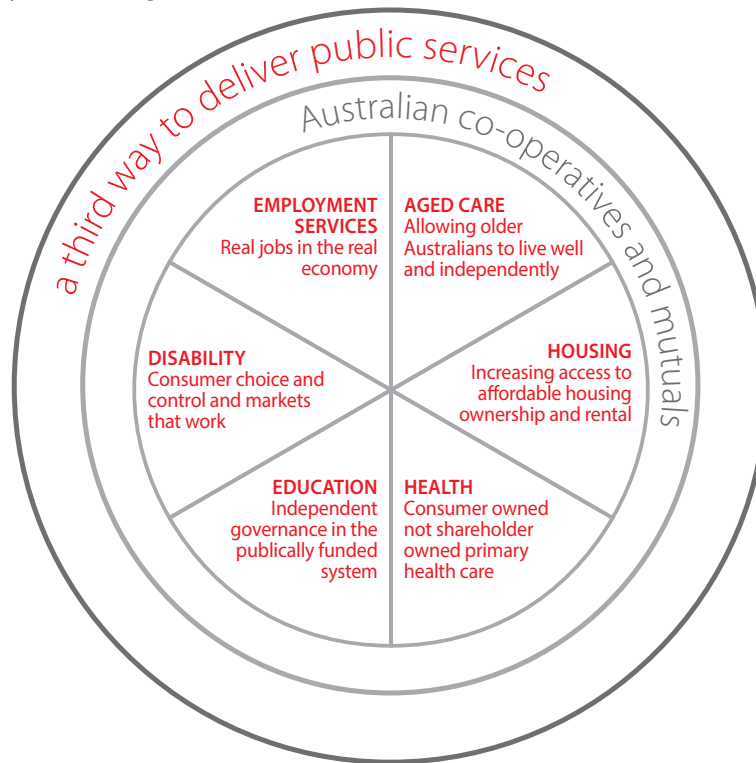
## WHERE'S THE POTENTIAL?

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Co-operatives and mutuals have enormous growth potential in all sectors of the economy from agribusiness to insurance services. The comparative advantage of co-operatives and mutuals is that they generate:

- Better social outcomes for citizens;
- Greater value for money;
- Economic and social resilience; and
- Higher levels of employee wellbeing.

The potential for Australian co-operatives and mutuals to play a much larger role in the public service sector is demonstrated in the 2014 BCCM White Paper on Public Service Mutuals. In sectors that range from disability and ageing to housing and health, co-operatives and mutuals can deliver services effectively and efficiently while increasing consumer choice and control.





## FARM TO FORK

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Some of Australia's largest agricultural firms are co-operatives—including CBH Group and Murray Goulburn Co-operative Co Limited. The Federal Government's

Green Paper on competitiveness in agriculture says more farmer owned co-operatives are key to ensuring greater competition and fairness from the farm to the fork.



... co-operatives offer opportunities to pool capital and achieve economies of scale and have many of the same advantages as company structures. However, co-operatives have the additional benefit of retaining direct ownership with the family farm and can assist with keeping smaller and medium sized operations viable, which in turn can help maintain local communities. The Australian Government will consider what it can do to foster more co-operatives in the agriculture sector to develop ..."

*Agricultural Competitiveness Green Paper,  
Commonwealth Government 2014*

## THE BCCM HAS A VISION FOR A BUSINESS ENVIRONMENT WHERE:

---

### PARITY

- Co-operatives and mutuals can compete freely and on equal terms with all types of business

### POLICY

- Legislation and regulation for co-operatives and mutuals matches the best standards for any business form
- It is as easy and cost effective to set up and run a co-operative or mutual as other business forms

### POLITICAL WILL

- Government policy recognises the value of co-operatives and mutuals and provides appropriate incentives for their inception and operation
- The unique contribution that co-operatives and mutuals can make in public and community services is supported by Government

The sector is enabled to grow



**CHAPTER 2:  
SECTOR  
SNAPSHOT**



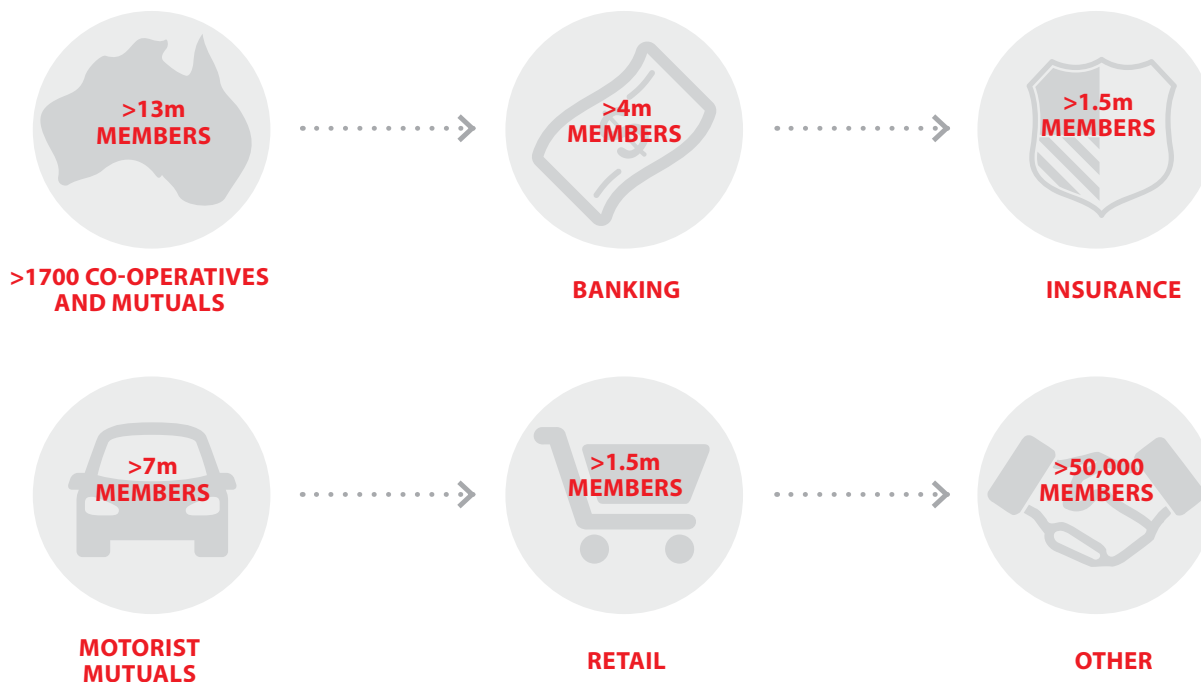
## AUSTRALIA'S TOP 100 CO-OPERATIVE AND MUTUAL ENTERPRISES

A conservative estimate of the total number of Australian co-operative and mutual enterprises is over 1,700 organisations.

The combined annual turnover of the top 100 co-operative and mutual enterprises is over \$25 billion for FY2013. When taking into consideration the top 10

superannuation funds, the combined turnover exceeds \$104 billion.

The Top 100 co-operatives and mutuals hold combined assets of over \$108 billion, or over \$282 billion when taking into consideration the top 10 superannuation funds.



**FY2012/13**

**TOP 100**

---

Total turnover in FY2012/13 ..... ➤ 25 billion AUD

Turnover including superannuation funds ..... ➤ 105.25 billion AUD

Combined assets ..... ➤ 108 billion AUD

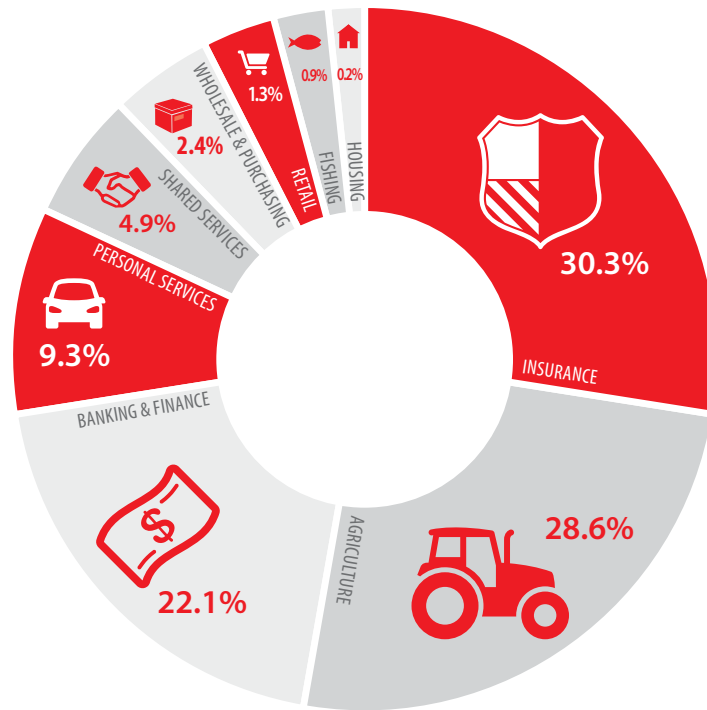
Assets including superannuation funds ..... ➤ 391.1 billion AUD

## TOP 100 AUSTRALIAN CO-OPERATIVE AND MUTUAL ENTERPRISES FY2012/13 BY SECTOR

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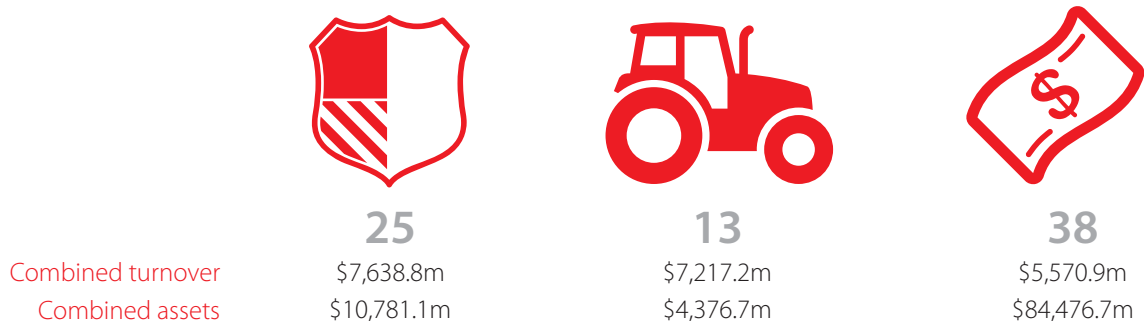
Australia's co-operative and mutual enterprises are found in almost all industry sectors and comprise some of the largest firms in each sector. Due to the nature of how many co-operative and mutual enterprises deliver member benefit some operate across industry categories. For example, a motor vehicle owners club such as the Royal Automobile Club of Western Australia (RAC WA) offers members roadside assistance as a core business, but also car insurance, general insurance, driver education, motor vehicle repair and travel services.

### EACH SECTOR'S CONTRIBUTION TO THE COMBINED TOTAL TURNOVER OF THE TOP 100



## NUMBER OF CO-OPERATIVES AND MUTUALS BY SECTOR AND THEIR COMBINED TURNOVER AND ASSETS (FY2012/13)

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## CHART TOPPERS

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### TOP 5 BY TURNOVER IN FY2012/13

- 1** **Co-operative Bulk Handling Limited** **2.8 BILLION AUD**

The largest co-operative or mutual enterprise in Australia was the WA bulk grains handling and storage business Co-operative Bulk Handling Ltd (CBH). CBH had a turnover of more than \$2.81 billion, an increase of just over \$543 million on FY2012 which was an increase of \$782.4 million over FY2011. Established in 1933, CBH is one of Australia's major exporters and remains the only large Australian grain business still owned and controlled by growers. CBH Group has operations that extend along the supply chain from grain storage, handing and transport, to marketing, shipping and processing.
- 2** **Murray Goulburn Co-operative Co Limited** **2.39 BILLION AUD**

Victorian dairy co-operative Murray Goulburn Co-operative Co Ltd (MG) had an annual turnover around \$2.39 billion. MG is Australia's largest dairy company and is 100% controlled by its dairy farmer suppliers. In 2013 MG exported 336,000 tonnes of product and reported a 33% increase in value add ingredients sales volume and 26% increase in nutritional sales volume.
- 3** **Hospital Contribution Fund (HCF)** **2.13 BILLION AUD**

Private health insurer HCF, based in NSW with operations in all States had annual turnover of \$2.13 billion. HCF has 1.52 million members, 1006 staff and is Australia's largest not-for-profit health insurer. It comprises five operating divisions: HCF Health Insurance; Life Insurance; Health Care; Retirement and Aged Care Services; and Corporate Services.
- 4** **HBF Health Limited (HBF)** **1.27 BILLION AUD**

WA-based health insurance mutual HBF had an annual turnover of \$1.27 billion and 55% local market share.
- 5** **Capricorn Society** **1.21 billion AUD**

Capricorn Society headquartered in WA has over 15,000 members and facilitated member transactions of \$1.21 billion. It operates primarily in the Automotive Maintenance & Repair, Smash Repair and Auto Electrical segments and has approximately 22% market share.

## COMPETITIVE ADVANTAGE

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All these businesses experienced strong growth in turnover over the period since FY2011.

---



### BIGGEST BY ASSETS

When ranked by assets held (current and non-current assets) the mutuals operating in the banking and finance sector topped the list

Combined assets 84,476,7 million AUD

#### TOP 5

<b>1 Credit Union Australia</b>	<b>9.95 billion AUD</b>
<b>2 Heritage Bank Ltd</b>	<b>8.5 billion AUD</b>
<b>3 Newcastle Permanent</b>	<b>8.29 billion AUD</b>
<b>4 People's Choice Credit Union</b>	<b>5.81 billion AUD</b>
<b>5 Greater Building Society</b>	<b>4.95 billion AUD</b>



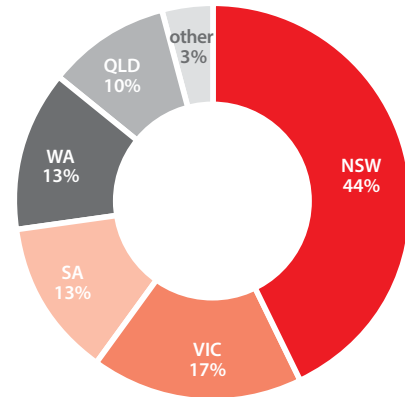
### MOST CO-OPERATIVE STATE

NSW had the largest number of co-operative and mutual enterprises (44%) headquartered there.

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**DISTRIBUTION OF THE TOP 100  
PER STATE AND TERRITORY**

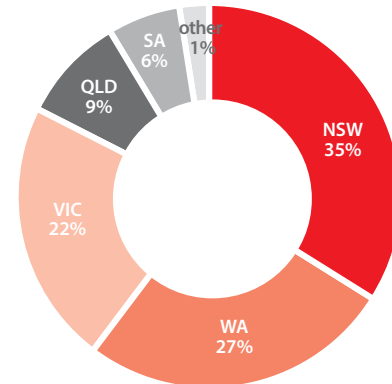


**BEST PERFORMING STATE**

WA had only 13% of the Top 100 co-operative and mutual businesses but accounted for 27% of the combined turnover.



**BREAKDOWN OF COLLECTIVE TURNOVER  
FOR THE FY2013 BY STATE AND TERRITORY**



## AUSTRALIA'S BEST PERFORMING SUPERFUNDS

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THE TOP 10 AUSTRALIAN SUPERANNUATION FUNDS BY TURNOVER (FY2012/13)  
ARE ALL MEMBER OWNED



## INDUSTRY COMPARISONS

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The competitive position of the top co-operatives and mutuals in Australia.



### **CO-OPERATIVE BULK HANDLING LIMITED (CBH)**

In 2013-2014 CBH held around 27.6% market share of the Australian cereal grain wholesaling industry competing at a national level with Glencore Grain Pty Ltd (26.7%), GrainCorp Ltd (24%) and Cargill Australia Ltd (7.5%). None of these competitors is a co-operative business and both Glencore and Cargill are foreign owned subsidiaries. The remainder of grain wholesalers are much smaller, non-employing businesses. CBH through its 50 percent investment in Interflour is Australia's largest Agribusiness investor in Indonesia.

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### **MURRAY GOULBURN CO-OPERATIVE CO. LIMITED (MG)**

MG is an aggressive exporter with 48% of sales revenue originating from international sales. MG's strategy has seen it shift from a commodity export based business to also be an active player in the fast moving consumer goods market within Australia, reporting a 33% increase in value add ingredients sales volume and 26% increase in nutritionals sales volume in 2013 alone. In the area of milk and cream processing MG controls around 12.3% of the national market share, competing with Lion Pty Ltd (32.1%), Parmalat Australia Ltd (14.7%) and Fonterra Co-operative Group Ltd (13.5%). All three competitors are subsidiaries of overseas companies (even though Fonterra is a co-operative business in New Zealand it does not operate as such in Australia). In other areas of the dairy industry MG is also prominent. In 2013 it controlled 34.7% of the cheese manufacturing industry in Australia, 23% of the butter and dairy product manufacturing and 16.1% of the milk powder manufacturing segment.



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### **HOSPITAL CONTRIBUTION FUND (HCF)**

Within the field of health insurance, HCF Australia Ltd is one Australia's largest health insurers and held 11.4% of the national market in 2014 competing with Medibank Private (28.6%), BUPA Asia Pacific Pty Ltd (27.3%), NIB Holdings Ltd (6.7%) and HBF Health Limited (6.1%). Of these competitors BUPA is a UK based business that acquired HBA, Mutual Community, DCA Aged care group and then MBF to become the second largest health insurance firm in Australia. NIB is a publicly listed investor owned firm.

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### **HBF HEALTH LIMITED (HBF)**

HBF has 55% of the local Western Australian market share, followed by Medibank Private (21%) and BUPA (9%). In 2012 HBF set the goal to become a valued health partner for their members, moving beyond their health insurance services. They have invested in expanding their wellness programs and have acquired the franchise for Friendlies Chemists with a goal to double the number of pharmacies and deliver health related services to HBF members.



**CHAPTER 3:  
EXECUTIVE  
INSIGHTS**





## THE ACMI\* SURVEY



---

We surveyed 30% of the Top 100 list to examine perceptions of co-operative and mutual market dynamics. A high proportion responded that they and their members had a clear understanding of the value proposition of the business. A high proportion also said that their marketing strategies promoted the positive aspects of co-operative and mutual enterprise. But when asked if the community had a clear understanding of the unique value offered by their businesses, only 27% felt confident that this was the case. This may be a reflection that co-operatives and mutuals are not always able to clearly articulate their message and to use it to engage the community and to recruit and retain members.





\*Australian Co-operative and Mutual Business Index (ACMI)

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## GOVERNMENT POLICY AND REGULATION

-  61% of respondents disagreed with the view that government economic policy had profoundly helped their business
-  55% disagreed with the view that government legislation had significant, positive impacts on their business

## MEMBER VALUE AND SOCIAL CAPITAL

-  73% believed that their organisation's marketing strategy was focused on the promotion of co-operative or mutual ownership as a positive attribute.
-  67% agreed that they could point to several good examples of how their business delivered benefits to the community
-  79% of respondents agreed that they had a clear understanding of the member value proposition they offered their members
-  58% felt that their members had a clear understanding of their member value proposition

## COMMUNITY AWARENESS


"The broader community has a clear understanding of the value proposition that we offer them"

-  46% unsure, 27% disagree

---

## CEO TALK

### How does it differentiate you being a member-driven organisation?



"Our co-operative structure provides absolute clarity why we exist; to create and return value to growers. With multi-national competitors, our business model and values give CBH the competitive advantage to be a regional champion for agriculture."

*Andrew Crane, CEO CBH Group*

"Our members are both our customers and owners. We can structure our business to focus on the member because we do not have third party shareholders. This enables us to make great decisions in the interest of member benefit and the long term sustainability of Capricorn."

*Greg Wall, Capricorn Group CEO*

### What is your key insight on the socio-economic impact of your business?

"Mutuals are focused on shared value for the community and members, as opposed to share value for shareholders. The profits of mutuals are invested back into the community and our industry has historically done this very well in Australia. It's time Australia looked to get maximum benefit from this unique corner of the nation's business community."

*Tony Stuart,  
Group CEO NRMA*

### WHAT ARE THE CHALLENGES AND OPPORTUNITIES FACING YOUR ORGANISATION?

"We operate in an industry that in a relatively short space of time has transitioned from being dominated by not-for-profit to for-profit organisations that are absolutely focused on generating a financial return for their shareholders be it here or overseas. Against this background, our challenge and opportunity is to successfully present a value proposition to the community at large that is acknowledged and evidenced by our competitive performance."

### WHERE DO YOU SEE YOUR ORGANISATION IN 10 YEARS' TIME?

"We will be known for 'walking the talk' and staying true to our Values, the most important of which is integrity which we define as doing the right thing when nobody is looking. Doing this will lead us to be #1 on this list in this book for a start,"

*Shaun Larkin, Managing Director HCF*

**CHAPTER 4:**  
**TABLES**  
**& DATA**



## METHODOLOGY

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All of the data and analysis presented in this report is derived from the publicly available research reports and documents, listed in the references section.

The Top 100 data and associated analysis is drawn directly from a study commissioned by the BCCM and undertaken by the University of Western Australia (UWA): "2014: The Top 100 Co-operatives and Mutuals in Australia" soon to be released by UWA as a standalone publication.

Candidate organisations for the Top 100 study were drawn from third party publications. Data collection included a review of all the candidates for inclusion through data sourced from their websites and other publicly available sources. In most cases annual reports provided the key financial data.

With assistance from the BCCM, the Co-operatives Federations of Western Australia (WA) and New South Wales (NSW) most candidate companies were approached with a letter, email and/or phone call seeking their participation in the study. An online survey included an examination of managers' perceptions towards: the competitive environment; member value and social capital creation; membership and employment base; purpose; share capital and surplus distribution policies and governance. About one third of the Top 100 completed the questionnaire. It was decided that any organisation for which financial information was not publicly available and did not complete the questionnaire would not be included in the final list.

### DEFINING CO-OPERATIVE BUSINESSES

Co-operatives in Australia are difficult to define and the Australian Bureau of Statistics (ABS) does not have collection processes to easily capture these organisations. Many co-operatives are not registered under the state co-operatives legislations but with the Australian corporation's law as public companies. Others are registered as both other incorporated or unincorporated entities. This means that reliable data on Australia's co-operative and mutual enterprises cannot be generated from ABS statistics.

The research undertaken by the UWA provides a better understanding of the Australian co-operative and mutual businesses and their contribution to the national economy. It intends to provide some data and analysis of the Top 100 Co-operatives and Mutuals in Australia to inform the BCCM.

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### WHY ARE SUPERFUNDS NOT LISTED IN THE TOP 100?

The democratic member governance of the co-operative and mutual business model is a distinctive feature of their business model. Therefore, organisations that provide services to members but are either listed on the ASX, or are owned by a listed or privately owned (non-member owned) organisation were not included in the Top 100 list. Another important feature of these businesses is that any profits or surplus generated from operations is typically distributed back to members in proportion not to their shareholding but their level of patronage. As this is not the case with Superfunds, where members have primarily an investor character, it was decided to report these separately to the Top 100 list. Whilst recognising their mutuality, this highlights that they are different in how they return value to members.

### NEXT STEPS – UWA AND THE AUSTRALIAN CO-OPERATIVE AND MUTUAL BUSINESS INDEX (ACMI)

The creation of the Australian Co-operative and Mutual Business Index (ACMI) commenced in 2012 following discussions with industry for a study to map the contribution of the sector to the national economy. It draws on the conceptual framework of the co-operative enterprise business model originally proposed by Mazzarol, Simmons and Mamouni Limnios (2012).

Future research by the UWA will build on the initial work undertaken in building this ACMI. It will not only aim to capture more data from a wider range of cases, but examine the available data to look for trends and to make comparison with other co-operative and mutual enterprises as well as with investor owned firms and other competitor businesses.

Although the ACMI remains a work in progress the data collected so far highlights the importance of gathering in-depth financial and non-financial information on the Australian co-operative and mutual enterprise sector.

The BCCM is indebted to Professor Tim Mazzarol and colleagues at the School of Business, UWA, for this important research collaboration.

Table 1: Top 100 Australian Co-operative and Mutual Enterprises 2014 by Turnover (FY2012/13)

RANK	NAME	STATE	GROSS TURNOVER	EBIT	NPAT	TOTAL ASSETS
1	Co-operative Bulk Handling Ltd	WA	2,815,739,000	137,723,000	131,707,000	1,988,752,000
2	Murray Goulburn Co-operative Co Ltd	VIC	2,389,435,000	39,053,000	34,904,000	1,659,054,000
3	The Hospitals Contribution Fund of Australia Ltd	NSW	2,134,196,000	99,939,000	99,939,000	1,408,140,000
4	HBF Health Ltd	WA	1,268,960,000	166,493,000	166,493,000	1,239,276,000
5	Capricorn Society Ltd	WA	1,212,581,000	19,319,000	13,939,000	216,311,000
6	Australian Unity	VIC	1,146,136,000	62,923,000	29,410,000	3,823,538,000
7	Credit Union Australia	QLD	693,103,000	78,635,000	57,485,000	9,958,103,000
8	Namoi Cotton Co-operative Ltd	NSW	580,042,000	-3,363,000	508,000	293,523,000
9	RAC WA	WA	560,254,000	32,497,000	35,173,000	1,518,627,000
10	RACQ	QLD	532,827,000	46,297,000	38,446,000	2,242,016,000
11	Heritage Bank Ltd	QLD	493,712,000	52,964,000	37,052,000	8,507,047,000
12	National Roads & Motorists' Association Ltd	NSW	478,886,000	45,140,000	37,211,000	1,131,318,000
13	RACV	VIC	476,410,000	95,500,000	91,300,000	1,657,600,000
14	Newcastle Permanent	NSW	456,057,000	56,155,000	39,073,000	8,296,357,000
15	People's Choice Credit Union	SA	423,923,000	34,526,000	37,897,000	5,816,145,000
16	Teachers Federation Health Ltd	NSW	409,392,000	11,838,090	11,838,090	314,450,000
17	Avant Mutual Group Ltd	NSW	408,456,000	159,380,000	115,673,000	1,775,784,000
18	Norco Co-operative Ltd	NSW	369,891,000	350,000	350,000	156,986,000
19	Dairy Farmers Milk Co-operative Ltd	NSW	327,016,000	901,000	848,000	23,737,000
20	Defence Health Ltd	VIC	322,085,000	24,161,000	24,161,000	297,648,000
21	GMHBA Ltd	VIC	321,953,000	17,928,000	17,928,000	224,737,000
22	Greater Building Society	NSW	315,938,000	39,631,000	28,410,000	4,957,548,000
23	CUSCAL	NSW	313,000,000	11,800,000	8,700,000	3,183,400,000
24	IMB Limited	NSW	291,323,000	40,778,000	28,510,000	4,893,958,000

Cooperative, mutual and member-owned firms  
Submission 3 - Attachment 2

RANK	NAME	STATE	GROSS TURNOVER	EBIT	NPAT	TOTAL ASSETS
25	CBHS Health Fund Ltd	NSW	282,403,000	14,371,245	14,371,245	198,146,789
26	Royal Automobile Association of South Australia	SA	257,064,000	18,336,000	15,291,000	383,491,000
27	Teachers Mutual Bank Ltd	NSW	253,905,000	39,650,000	28,098,000	4,088,612,000
28	Community CPS Australia (Beyond Bank)	SA	245,208,000	32,254,000	23,184,000	3,790,755,000
29	Independent Liquor Group Distribution Co-operative Ltd	NSW	230,753,198	192,036	120,759	60,265,048
30	Australian Scholarships Groups	VIC	217,716,000	21,040,000	2,107,000	1,687,790,000
31	Geraldton Fishermen's Co-operative Ltd	WA	213,586,271	3,559,311	2,640,928	65,170,495
32	Western Australian Meat Marketing Co-operative Ltd	WA	211,946,000	8,244,000	7,848,000	69,991,000
33	Northern Co-operative Meat Company Ltd	NSW	210,000,000	n/a	n/a	94,900,000
34	Police & Nurses Credit Society Ltd	WA	188,470,000	15,708,000	13,103,000	2,845,281,000
35	Bankmecu	VIC	170,263,000	34,793,000	25,397,000	3,041,256,000
36	Independent Liquor Group Suppliers Co-operative Ltd	NSW	164,050,724	1,039,422	1,411,535	72,191,119
37	QANTAS Credit Union	NSW	156,597,000	21,695,000	15,266,000	2,791,347,000
38	Westfund Health Ltd	NSW	135,344,000	10,005,453	9,876,009	142,420,000
39	Latrobe Health Services Ltd	VIC	129,983,000	7,028,000	7,028,000	159,590,000
40	Health Partners Ltd	SA	127,194,000	12,965,947	12,965,947	109,839,924
41	Plumbers Supplies Co-operative Ltd	NSW	123,000,000	n/a	n/a	n/a
42	Queensland Teachers Union Health Fund	QLD	113,120,000	7,609,632	7,609,632	105,384,275
43	The University Co-operative Bookshop Ltd	NSW	109,556,641	-2,567,766	-4,240,515	61,994,030
44	Victoria Teachers Mutual Bank	VIC	108,300,000	10,276,000	6,139,000	1,774,475,000
45	Healthguard Health Benefits Fund Ltd	WA	106,371,000	11,718,000	11,718,000	120,309,000
46	Lysaght Peoplecare Ltd	NSW	102,225,000	6,775,000	6,775,000	69,655,426
47	Health Insurance Fund of Australia Ltd	WA	99,494,000	9,490,756	9,490,756	96,012,545



Cooperative, mutual and member-owned firms  
Submission 3 - Attachment 2

RANK	NAME	STATE	GROSS TURNOVER	EBIT	NPAT	TOTAL ASSETS
48	CUA Health Ltd	QLD	93,979,000	6,760,000	6,760,000	64,660,000
49	Queensland Country Credit	QLD	92,389,000	7,711,000	5,436,000	1,203,764,000
50	Police Bank Ltd	NSW	92,359,982	14,269,978	10,071,129	1,327,418,791
51	Defence Bank	VIC	92,117,000	14,275,000	10,021,000	1,443,120,000
52	Railway and Transport Health Fund Ltd	NSW	91,197,000	7,541,000	7,541,000	64,891,000
53	Bananacoast Community Credit Union	NSW	88,634,000	6,275,000	4,472,000	1,340,086,000
54	Police Health Ltd	SA	85,730,000	8,983,000	8,983,000	53,217,000
55	QTMB	QLD	83,761,000	9,463,000	6,887,000	1,267,545,000
56	NSW Sugar Milling Co-operative	NSW	83,000,000	n/a	n/a	n/a
57	St. Lukes Medical & Hospital Benefits Association Ltd	TAS	80,083,000	7,498,000	7,498,000	92,214,000
58	BankVic	VIC	73,297,000	14,650,000	10,351,000	1,183,445,000
59	Hastings Co-operative	NSW	73,033,621	-381,324	-369,159	21,677,795
60	The Community Co-operative Store Nuriootpa Ltd	SA	65,513,599	1,111,847	781,201	47,384,983
61	CCW Co-op	SA	63,263,160	69,328	87,892	2,799,739
62	Australian Defence Credit Union	NSW	60,282,350	5,768,627	4,166,306	818,598,713
63	Yenda Producers Co-operative Ltd	NSW	58,253,135	3,322,655	2,453,897	32,727,199
64	Navy Health Ltd	VIC	55,660,000	5,749,000	5,749,000	73,819,000
65	Maritime, Mining & Power Credit Union Ltd	NSW	52,658,676	5,535,226	4,069,268	736,812,210
66	Credit Union SA Ltd	SA	52,631,000	6,474,000	4,655,000	817,044,000
67	Hume Bank	NSW	52,396,000	4,248,000	2,955,000	883,943,000
68	Community First Credit Union	NSW	49,140,000	2,879,000	2,204,000	736,703,000
69	Police Credit Union Limited	SA	48,329,000	3,969,572	2,824,676	701,853,864
70	Gateway Credit Union	NSW	44,911,000	3,531,000	2,451,000	755,880,000
71	Queensland Police Credit Union Ltd	QLD	43,767,729	1,559,792	1,048,794	679,740,777

Cooperative, mutual and member-owned firms  
Submission 3 - Attachment 2

RANK	NAME	STATE	GROSS TURNOVER	EBIT	NPAT	TOTAL ASSETS
72	Master Butchers Co-operative Ltd	SA	43,605,164	8,209,460	5,099,182	37,599,447
73	Lenswood Cold Stores Co-operative Society Ltd	SA	43,401,886	328,848	1,181,811	20,942,224
74	CEHL	VIC	41,190,000	1,820,751	1,820,751	683,759,180
75	SGE Credit Union	NSW	40,930,000	4,138,000	2,701,000	656,685,000
76	Sydney Credit Union	NSW	39,834,364	2,811,564	2,114,418	645,134,625
77	Summerland Credit Union Ltd	NSW	37,744,000	4,102,000	2,892,000	570,068,000
78	Ravensdown Fertiliser Co-operative Ltd	WA	35,767,000	-144,000	-128,000	17,284,000
79	Mildura District Hospital Fund Ltd	VIC	35,311,000	4,208,000	4,208,000	76,326,000
80	Railways Credit Union	QLD	33,529,448	4,094,121	2,907,875	578,659,165
81	Community Alliance Credit Union	NSW	33,458,000	1,441,000	1,508,000	510,986,000
82	Holiday Coast Credit Union	NSW	33,342,000	2,493,000	1,806,000	477,212,000
83	Maitland Mutual Building Society Ltd	NSW	31,517,000	2,957,000	2,068,000	523,243,000
84	Royal Automobile Club of Tasmania	TAS	31,191,513	6,250,276	6,285,870	70,287,178
85	Batlow Fruit Co-operative Ltd	NSW	29,446,292	-1,704,715	-1,272,184	15,999,730
86	Australian Wine Consumers Co-operative Ltd	NSW	28,732,000	51,000	51,000	5,859,000
87	Key Invest	SA	27,275,354	670,577	468,837	214,991,500
88	Phoenix Health Fund	NSW	25,887,000	566,000	566,000	21,170,000
89	Wesbuilders Co-operative Ltd	WA	25,200,000	168,560	114,751	1,557,357
90	Mount Barker Co-operative Ltd	WA	24,170,873	501,404	326,854	13,371,796
91	WAW Credit Union Co-operative	VIC	22,408,363	1,463,429	1,031,127	364,760,291
92	Queenslanders Credit Union Limited	QLD	22,261,910	1,613,480	1,172,347	319,150,579
93	Service One	ACT	21,685,000	1,531,000	1,205,000	302,767,000
94	Co-operative Purchasing Services Ltd	WA	21,007,000	-129,000	-123,000	3,774,000
95	ACA Health Benefits Fund	NSW	20,766,000	1,662,000	1,662,000	20,241,000

RANK	NAME	STATE	GROSS TURNOVER	EBIT	NPAT	TOTAL ASSETS
96	Terang & District Co-operative	VIC	19,594,660	440,101	298,668	9,545,418
97	The Associated Newsagents Co-operative Ltd	SA	19,185,718	555,211	422,498	12,296,041
98	Transport Health Pty Ltd	VIC	15,622,000	1,429,000	1,429,000	14,667,000
99	Riverina Co-operative Society	NSW	15,285,624	507,374	355,162	8,693,568
100	Clarence River Fishermen's Co-operative Ltd	NSW	15,181,425	-185,676	-28,071	1,579,335

### Notes to Table

1. EBIT= earnings before interest and tax. NPAT = net profit after tax. n/a=not available. All values are reported in Australian \$.
2. Turnover for Capricorn Society Ltd and Wesbuilders Co-operative Ltd represents the total value of member business facilitated by the co-operative (sale of goods to members by suppliers), and not the revenue figure reported on the P&L statement.
3. Lenswood Cold Stores Co-operative Society Ltd financials are reported for the year ended 31 December 2013. RACQ financials are reported for the period 1 January 2013 to 30 June 2013 only, due to a change in their reporting method from calendar to financial year.
4. Private health insurers that are not member-owned businesses are not included in this list, unless they are a subsidiary of an Australian co-operative or mutual entity. In this case the turnover of the parent entity includes all for-profit and not-for-profit subsidiaries. The following private health insurers are therefore included in the parent entity consolidated financials: Australian Unity Health Ltd and Grand United Corporate Health Ltd (parent entity Australian Unity Ltd), The Doctors' Health Fund (parent entity Avant Mutual Group Ltd), and Queensland Country Health Fund (parent entity Queensland Country Credit).
5. Candidates for the 2014 list were drawn from third party publications, namely Denniss and Baker (2012), top 100 lists published by Co-operatives Australia (CA, 2010, 2011, 2012), the State of The Health Funds Report (The Private Health Insurance Ombudsman, 2013), the list of health funds available by the Australian Government (PrivateHealth.gov.au), and a list of super funds provided by BCCM.
6. Data was sourced from firms' annual reports from their websites and other publicly available sources such as IBISWorld. Data was also collected through an online survey and follow-up calls to increase the participation rate. Any organisation for which financial information was not publicly available and they did not complete the online survey are not included in the final list. Data for the private health insurers was sourced from the PHICA (Private Health Insurance Administration Council) publication "The Operations of Private Health Insurers Annual Report 2012-13" and supportive excel data file.
7. Organisations that provide services to members but are either listed on the ASX, or are owned by a listed or privately owned (non-member owned or not Australian) organization were not included in the list.
8. Superannuation funds are reported separate to this list.

Table 2: Top 10 Australian Superannuation Funds 2014 by Turnover (FY2012/13)

RANK	NAME	TURNOVER	ACCRUED BENEFITS BEFORE TAX	ACCRUED BENEFITS AFTER TAX	ASSETS	LIABILITY	EQUITY
1	Australian Super	24,911,624,000	19,231,211,000	17,982,530,000	65,458,635,000	589,301,000	64,869,334,000
2	First State Super Fund	9,643,277,000	7,119,551,000	6,221,526,000	40,398,174,000	835,527,000	39,562,647,000
3	UniSuper	8,479,864,000	6,439,586,000	5,844,795,000	44,171,503,000	7,839,134,000	36,322,369,000
4	Retail Employee's Superannuation Trust (REST)	8,035,100,000	7,415,059,000	6,770,262,000	29,082,696,000	1,877,982,000	27,204,714,000
5	Sunsuper	6,589,306,000	4,688,331,000	461,358,000	24,469,154,000	543,010,000	23,926,144,000
6	Health Employee's Superannuation Trust Australia (HESTA)	6,043,592,000	5,825,247,000	5,327,439,000	24,259,816,000	630,320,000	23,629,496,000
7	Construction & Building Superannuation (CBUS)	5,996,489,000	5,511,039,000	5,215,140,000	22,971,200,000	316,550,000	22,654,650,000
8	HOSTPLUS	3,760,362,532	3,555,316,684	3,236,572,189	12,956,838,974	149,126,166	12,738,842,369
9	CareSuper	3,709,268,820	3,595,093,153	3,479,605,249	7,831,939,178	87,631,429	7,744,307,479
10	VicSuper	2,673,751,000	2,587,382,000	2,415,937,000	11,111,660,000	182,823,000	10,928,837,000

Table 3: Top 100 Australian Co-operative and Mutual Enterprises 2014 by Assets (FY2012/13)

RANK	NAME	STATE	ASSETS	LIABILITIES	EQUITY	RANK BY TURNOVER
1	Credit Union Australia	QLD	9,958,103,000	9,201,514,000	756,589,000	7
2	Heritage Bank Ltd	QLD	8,507,047,000	8,173,552,000	333,495,000	11
3	Newcastle Permanent	NSW	8,296,357,000	7,538,482,000	757,875,000	14
4	People's Choice Credit Union	SA	5,816,145,000	5,382,016,000	434,129,000	15
5	Greater Building Society	NSW	4,957,548,000	4,600,070,000	357,478,000	22
6	IMB Limited	NSW	4,893,958,000	4,620,838,000	273,120,000	24
7	Teachers Mutual Bank Ltd	NSW	4,088,612,000	3,747,338,000	341,274,000	27
8	Australian Unity Ltd	VIC	3,823,538,000	3,352,630,000	479,908,000	6
9	Community CPS Australia (Beyond Bank)	SA	3,790,755,000	3,475,515,000	315,240,000	28
10	CUSCAL	NSW	3,183,400,000	2,960,100,000	223,300,000	23
11	Bankmecu	VIC	3,041,256,000	2,698,534,000	342,722,000	35
12	Police & Nurses Credit Society Ltd	WA	2,845,281,000	2,612,484,000	232,797,000	34
13	QANTAS Credit Union	NSW	2,791,347,000	2,257,554,000	193,793,000	37
14	RACQ	QLD	2,242,016,000	1,264,937,000	977,079,000	10
15	Co-operative Bulk Handling Ltd	WA	1,988,752,000	618,564,000	1,370,188,000	1
16	Avant Mutual Group Ltd	NSW	1,775,784,000	935,518,000	840,266,000	17
17	Victoria Teachers Mutual Bank	VIC	1,774,475,000	1,636,581,000	137,894,000	44
18	Australian Scholarships Groups	VIC	1,687,790,000	1,588,190,000	99,600,000	30
19	Murray Goulburn Co-operative Co Ltd	VIC	1,659,054,000	972,567,000	686,487,000	2
20	RACV	VIC	1,657,600,000	437,000,000	1,220,600,000	13
21	RAC WA	WA	1,518,627,000	787,493,000	731,134,000	9
22	Defence Bank	VIC	1,443,120,000	1,320,024,000	123,096,000	51
23	The Hospitals Contribution Fund of Australia Ltd	NSW	1,408,140,000	519,808,000	888,332,000	3
24	Bananacoast Community Credit Union	NSW	1,340,086,000	1,243,073,000	97,013,000	53

Cooperative, mutual and member-owned firms  
Submission 3 - Attachment 2

RANK	NAME	STATE	ASSETS	LIABILITIES	EQUITY	RANK BY TURNOVER
25	Police Bank Ltd	NSW	1,327,418,791	1,184,175,230	143,243,561	50
26	QTMB	QLD	1,267,545,000	1,151,562,000	115,983,000	55
27	HBF Health Ltd	WA	1,239,276,000	359,933,000	879,343,000	4
28	Queensland Country Credit	QLD	1,203,764,000	1,119,658,000	84,106,000	49
29	BankVic	VIC	1,183,445,000	1,058,989,000	124,456,000	58
30	National Roads & Motorists' Association Ltd	NSW	1,131,318,000	414,324,000	716,994,000	12
31	Hume Bank	NSW	883,943,000	826,603,000	57,340,000	67
32	Australian Defence Credit Union	NSW	818,598,713	747,975,475	70,623,238	62
33	Credit Union SA Ltd	SA	817,044,000	736,856,000	78,188,000	66
34	Gateway Credit Union	NSW	755,880,000	664,404,000	91,476,000	70
35	Maritime, Mining & Power Credit Union Ltd	NSW	736,812,210	675,990,663	60,821,547	65
36	Community First Credit Union	NSW	736,703,000	673,150,000	63,553,000	68
37	Police Credit Union Limited	SA	701,853,864	645,524,806	56,329,058	69
38	CEHL	VIC	683,759,180	96,628,037	587,131,143	74
39	Queensland Police Credit Union Ltd	QLD	679,740,777	612,917,436	66,823,341	71
40	SGE Credit Union	NSW	656,685,000	583,569,000	73,116,000	75
41	Sydney Credit Union	NSW	645,134,625	580,733,733	64,400,892	76
42	Railways Credit Union	QLD	578,659,165	525,184,414	53,474,751	80
43	Summerland Credit Union Ltd	NSW	570,068,000	526,369,000	43,699,000	77
44	Maitland Mutual Building Society Ltd	NSW	523,243,000	491,654,000	31,592,000	83
45	Community Alliance Credit Union	NSW	510,986,000	473,946,000	37,040,000	81
46	Holiday Coast Credit Union	NSW	477,212,000	442,152,000	35,060,000	82
47	Royal Automobile Association of South Australia	SA	383,491,000	195,918,000	187,573,000	26
48	WAW Credit Union Co-operative	VIC	364,760,291	341,566,961	23,193,330	91

Cooperative, mutual and member-owned firms  
Submission 3 - Attachment 2

RANK	NAME	STATE	ASSETS	LIABILITIES	EQUITY	RANK BY TURNOVER
49	Queenslanders Credit Union Limited	QLD	319,150,579	278,446,704	40,703,875	92
50	Teachers Federation Health Ltd	NSW	314,450,000	94,967,000	216,482,873	16
51	Service One	ACT	302,767,000	280,265,000	22,502,000	93
52	Defence Health Ltd	VIC	297,648,000	76,444,000	221,204,000	20
53	Namoi Cotton Co-operative Ltd	NSW	293,523,000	183,038,000	110,485,000	8
54	GMHBA Ltd	VIC	224,737,000	84,239,000	140,498,000	21
55	Capricorn Society Ltd	WA	216,311,000	119,490,000	96,821,000	5
56	Key Invest	SA	214,991,500	187,547,551	27,443,949	87
57	CBHS Health Fund Ltd	NSW	198,146,789	65,752,404	132,394,385	25
58	Latrobe Health Services Ltd	VIC	159,590,000	31,582,000	128,008,000	39
59	Norco Co-operative Ltd	NSW	156,986,000	88,561,000	60,914,000	18
60	Westfund Health Ltd	NSW	142,420,000	36,969,000	105,450,846	38
61	Australian Friendly Society	VIC	133,666,000	123,620,000	10,046,000	113
62	Healthguard Health Benefits Fund Ltd	WA	120,309,000	25,731,000	94,578,000	45
63	Health Partners Ltd	SA	109,839,924	19,460,814	90,379,110	40
64	Queensland Teachers Union Health Fund	QLD	105,384,275	23,220,943	82,163,332	42
65	Health Insurance Fund of Australia Ltd	WA	96,012,545	22,643,508	73,369,037	47
66	Northern Co-operative Meat Company Ltd	NSW	94,900,000	38,100,000	56,800,000	33
67	St. Lukes Medical & Hospital Benefits Association Ltd	TAS	92,214,000	18,595,000	73,619,000	57
68	Mildura District Hospital Fund Ltd	VIC	76,326,000	9,804,000	66,522,000	79
69	Navy Health Ltd	VIC	73,819,000	17,632,000	56,187,000	64
70	South West Irrigation Management Co-operative	WA	73,114,227	20,478,038	52,636,189	116
71	Independent Liquor Group Suppliers Co-operative Ltd	NSW	72,191,119	65,435,269	6,755,850	36

Cooperative, mutual and member-owned firms  
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RANK	NAME	STATE	ASSETS	LIABILITIES	EQUITY	RANK BY TURNOVER
72	Royal Automobile Club of Tasmania	TAS	70,287,178	21,842,849	48,444,329	84
73	Western Australian Meat Marketing Co-operative Ltd	WA	69,991,000	40,264,000	29,727,000	32
74	Lysaght Peoplecare Ltd	NSW	69,655,426	19,924,342	49,731,084	46
75	Geraldton Fishermen's Co-operative Ltd	WA	65,170,495	43,457,461	21,713,034	31
76	Railway and Transport Health Fund Ltd	NSW	64,891,000	20,028,000	44,863,000	52
77	CUA Health Ltd	QLD	64,660,000	11,405,000	53,255,000	48
78	South West Irrigation Asset Co-operative	WA	62,470,591	10,166,973	52,303,618	119
79	The University Co-operative Bookshop Ltd	NSW	61,994,030	n/a	n/a	43
80	Independent Liquor Group Distribution Co-operative Ltd	NSW	60,265,048	60,858,465	-593,417	29
81	Police Health Ltd	SA	53,217,000	13,394,000	39,823,000	54
82	The Community Co-operative Store Nuriootpa Ltd	SA	47,384,983	15,344,520	32,040,463	60
83	Master Butchers Co-operative Ltd	SA	37,599,447	n/a	n/a	72
84	Yenda Producers Co-operative Ltd	NSW	32,727,199	24,869,481	7,857,718	63
85	Dairy Farmers Milk Co-operative Ltd	NSW	23,737,000	9,541,000	14,196,000	19
86	Coleambally Irrigation	NSW	22,592,981	200,805	22,392,176	118
87	Hastings Co-operative	NSW	21,677,795	20,062,821	1,614,974	59
88	Phoenix Health Fund	NSW	21,170,000	5,748,000	15,422,000	88
89	Lenswood Cold Stores Co-operative Society Ltd	SA	20,942,224	9,791,922	11,150,302	73
90	ACA Health Benefits Fund	NSW	20,241,000	3,578,000	16,663,000	95
91	Auburn RSL Club Co-op	NSW	18,964,767	2,343,533	16,621,234	105
92	Genetics Australia Co-operative Ltd	VIC	18,199,840	7,787,320	10,412,520	101
93	Ravensdown Fertiliser Co-operative Ltd	WA	17,284,000	9,458,000	7,826,000	78
94	Batlow Fruit Co-operative Ltd	NSW	15,999,730	9,811,240	6,188,490	85



RANK	NAME	STATE	ASSETS	LIABILITIES	EQUITY	RANK BY TURNOVER
95	Health Care Insurance Ltd	TAS	15,763,226	3,321,651	12,441,575	102
96	Transport Health Pty Ltd	VIC	14,667,000	4,351,000	10,315,000	98
97	Mount Barker Co-operative Ltd	WA	13,371,796	3,128,965	10,242,831	90
98	The Associated Newsagents Co-operative Ltd	SA	12,296,041	1,865,253	10,430,788	97
99	Reserve Bank Health Society	NSW	11,225,798	1,462,423	9,763,375	110
100	Commercial Fisherman's Co-operative	NSW	11,000,000	n/a	n/a	103

### Notes to Table

1. n/a=not available. All values are reported in Australian \$.
2. Information on the assets of Plumbers Supplies Co-operative Ltd and NSW Sugar Milling Co-operative was not available. Whilst they are listed in the top 100 by turnover these firms were not considered for inclusion in this list.
3. Lenswood Cold Stores Co-operative Society Ltd financials are reported for the year ended 31 December 2013. RACQ financials are reported for the period 1 January 2013 to 30 June 2013 only, due to a change in their reporting method from calendar to financial year.
4. Private health insurers that are not member-owned businesses are not included in this list, unless they are a subsidiary of an Australian co-operative or mutual entity. In this case the turnover of the parent entity includes all for-profit and not-for-profit subsidiaries. The following private health insurers are therefore included in the parent entity consolidated financials: Australian Unity Health Ltd and Grand United Corporate Health Ltd (parent entity Australian Unity Ltd), The Doctors' Health Fund (parent entity Avant Mutual Group Ltd), and Queensland Country Health Fund (parent entity Queensland Country Credit).
5. Candidates for the 2014 list were drawn from third party publications, namely Denniss and Baker (2012), top 100 lists published by Co-operatives Australia (CA, 2010, 2011, 2012), the State of The Health Funds Report (The Private Health Insurance Ombudsman, 2013), the list of health funds available by the Australian Government (PrivateHealth.gov.au), and a list of super funds provided by BCCM.
6. Data was sourced from firms' annual reports from their websites and other publicly available sources such as IBISWorld. Data was also collected through an online survey and follow-up calls to increase the participation rate. Any organisation for which financial information was not publicly available and they did not complete the online survey are not included in the final list. Data for the private health insurers was sourced from the PHICA (Private Health Insurance Administration Council) publication "The Operations of Private Health Insurers Annual Report 2012-13" and supportive excel data file.
7. Organisations that provide services to members but are either listed on the ASX, or are owned by a listed or privately owned (non-member owned or not Australian) organization were not included in the list.
8. Superannuation funds are reported separate to this list.

Table 4: Top 100 Australian Co-operative and Mutual Enterprises 2014 by EBIT (FY2012/13)

RANK	NAME	STATE	EBIT	NPAT	RANK BY TURNOVER
1	HBF Health Ltd	WA	166,493,000	166,493,000	4
2	Avant Mutual Group Ltd	NSW	159,380,000	115,673,000	17
3	Co-operative Bulk Handling Ltd	WA	137,723,000	131,707,000	1
4	The Hospitals Contribution Fund of Australia Ltd	NSW	99,939,000	99,939,000	3
5	RACV	VIC	95,500,000	91,300,000	13
6	Credit Union Australia	QLD	78,635,000	57,485,000	7
7	Australian Unity Ltd	VIC	62,923,000	29,410,000	6
8	Newcastle Permanent	NSW	56,155,000	39,073,000	14
9	Heritage Bank Ltd	QLD	52,964,000	37,052,000	11
10	RACQ	QLD	46,297,000	38,446,000	10
11	National Roads & Motorists' Association Ltd	NSW	45,140,000	37,211,000	12
12	IMB Limited	NSW	40,778,000	28,510,000	24
13	Teachers Mutual Bank Ltd	NSW	39,650,000	28,098,000	27
14	Greater Building Society	NSW	39,631,000	28,410,000	22
15	Murray Goulburn Co-operative Co Ltd	VIC	39,053,000	34,904,000	2
16	Bankmecu	VIC	34,793,000	25,397,000	35
17	People's Choice Credit Union	SA	34,526,000	37,897,000	15
18	RAC WA	WA	32,497,000	35,173,000	9
19	Community CPS Australia (Beyond Bank)	SA	32,254,000	23,184,000	28
20	Defence Health Ltd	VIC	24,161,000	24,161,000	20
21	QANTAS Credit Union	NSW	21,695,000	15,266,000	37
22	Australian Scholarships Groups	VIC	21,040,000	2,107,000	30

Cooperative, mutual and member-owned firms  
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RANK	NAME	STATE	EBIT	NPAT	RANK BY TURNOVER
23	Capricorn Society Ltd	WA	19,319,000	13,939,000	5
24	Royal Automobile Association of South Australia	SA	18,336,000	15,291,000	26
25	GMHBA Ltd	VIC	17,928,000	17,928,000	21
26	Police & Nurses Credit Society Ltd	WA	15,708,000	13,103,000	34
27	BankVic	VIC	14,650,000	10,351,000	58
28	CBHS Health Fund Ltd	NSW	14,371,245	14,371,245	25
29	Defence Bank	VIC	14,275,000	10,021,000	51
30	Police Bank Ltd	NSW	14,269,978	10,071,129	50
31	Health Partners Ltd	SA	12,965,947	12,965,947	40
32	Teachers Federation Health Ltd	NSW	11,838,090	11,838,090	16
33	CUSCAL	NSW	11,800,000	8,700,000	23
34	Healthguard Health Benefits Fund Ltd	WA	11,718,000	11,718,000	45
35	Victoria Teachers Mutual Bank	VIC	10,276,000	6,139,000	44
36	Westfund Health Ltd	NSW	10,005,453	9,876,009	38
37	Health Insurance Fund of Australia Ltd	WA	9,490,756	9,490,756	47
38	QTMB	QLD	9,463,000	6,887,000	55
39	Police Health Ltd	SA	8,983,000	8,983,000	54
40	Western Australian Meat Marketing Co-operative Ltd	WA	8,244,000	7,848,000	32
41	Master Butchers Co-operative Ltd	SA	8,209,460	5,099,182	72
42	Queensland Country Credit	QLD	7,711,000	5,436,000	49
43	Queensland Teachers Union Health Fund	QLD	7,609,632	7,609,632	42
44	Railway and Transport Health Fund Ltd	NSW	7,541,000	7,541,000	52

Cooperative, mutual and member-owned firms  
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RANK	NAME	STATE	EBIT	NPAT	RANK BY TURNOVER
45	St. Lukes Medical & Hospital Benefits Association Ltd	TAS	7,498,000	7,498,000	57
46	Latrobe Health Services Ltd	VIC	7,028,000	7,028,000	39
47	Australian Friendly Society	VIC	6,855,000	5,904,000	113
48	Lysaght Peoplecare Ltd	NSW	6,775,000	6,775,000	46
49	CUA Health Ltd	QLD	6,760,000	6,760,000	48
50	Credit Union SA Ltd	SA	6,474,000	4,655,000	66
51	Bananacoast Community Credit Union	NSW	6,275,000	4,472,000	53
52	Royal Automobile Club of Tasmania	TAS	6,250,276	6,285,870	84
53	Australian Defence Credit Union	NSW	5,768,627	4,166,306	62
54	Navy Health Ltd	VIC	5,749,000	5,749,000	64
55	Maritime, Mining & Power Credit Union Ltd	NSW	5,535,226	4,069,268	65
56	Hume Bank	NSW	4,248,000	2,955,000	67
57	Mildura District Hospital Fund Ltd	VIC	4,208,000	4,208,000	79
58	SGE Credit Union	NSW	4,138,000	2,701,000	75
59	Summerland Credit Union Ltd	NSW	4,102,000	2,892,000	77
60	Railways Credit Union	QLD	4,094,121	2,907,875	80
61	Police Credit Union Limited	SA	3,969,572	2,824,676	69
62	Geraldton Fishermen's Co-operative Ltd	WA	3,559,311	2,640,928	31
63	Gateway Credit Union	NSW	3,531,000	2,451,000	70
64	Yenda Producers Co-operative Ltd	NSW	3,322,655	2,453,897	63
65	Coleambally Irrigation	NSW	3,107,183	2,610,170	118
66	Maitland Mutual Building Society Ltd	NSW	2,957,000	2,068,000	83

Cooperative, mutual and member-owned firms  
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RANK	NAME	STATE	EBIT	NPAT	RANK BY TURNOVER
67	Community First Credit Union	NSW	2,879,000	2,204,000	68
68	Sydney Credit Union	NSW	2,811,564	2,114,418	76
69	Holiday Coast Credit Union	NSW	2,493,000	1,806,000	82
70	CEHL	VIC	1,820,751	1,820,751	74
71	South West Irrigation Asset Co-operative	WA	1,766,486	1,484,681	119
72	ACA Health Benefits Fund	NSW	1,662,000	1,662,000	95
73	Queenslanders Credit Union Limited	QLD	1,613,480	1,172,347	92
74	Queensland Police Credit Union Ltd	QLD	1,559,792	1,048,794	71
75	Service One	ACT	1,531,000	1,205,000	93
76	WAW Credit Union Co-operative	VIC	1,463,429	1,031,127	91
77	Community Alliance Credit Union	NSW	1,441,000	1,508,000	81
78	Transport Health Pty Ltd	VIC	1,429,000	1,429,000	98
79	Reserve Bank Health Society	NSW	1,126,314	1,126,314	110
80	The Community Co-operative Store Nuriootpa Ltd	SA	1,111,847	781,201	60
81	Independent Liquor Group Suppliers Co-operative Ltd	NSW	1,039,422	1,411,535	36
82	Dairy Farmers Milk Co-operative Ltd	NSW	901,000	848,000	19
83	Health Care Insurance Ltd	TAS	768,844	768,844	102
84	Key Invest	SA	670,577	468,837	87
85	Southern Quality Produce Co-operative Ltd	VIC	655,321	446,842	121
86	Automobile Association of Northern Territory	NT	628,777	625,386	117
87	Phoenix Health Fund	NSW	566,000	566,000	88
88	The Associated Newsagents Co-operative Ltd	SA	555,211	422,498	97

RANK	NAME	STATE	EBIT	NPAT	RANK BY TURNOVER
89	Riverina Co-operative Society	NSW	507,374	355,162	99
90	Mount Barker Co-operative Ltd	WA	501,404	326,854	90
91	Walgett Special One Co-operative	NSW	488,269	345,989	120
92	Terang & District Co-operative	VIC	440,101	298,668	96
93	CDH Benefits Fund Ltd	NSW	429,000	429,000	112
94	Norco Co-operative Ltd	NSW	350,000	350,000	18
95	Lenswood Cold Stores Co-operative Society Ltd	SA	328,848	1,181,811	73
96	Independent Liquor Group Distribution Co-operative Ltd	NSW	192,036	120,759	29
97	Wesbuilders Co-operative Ltd	WA	168,560	114,751	89
98	Commercial Fisherman's Co-operative	NSW	140,000	85,000	103
99	Community Child Care Co-operative Ltd	NSW	134,386	134,386	114
100	Moulamein Grain Co-operative Ltd	NSW	120,203	107,756	111

### Notes to Table

1. EBIT= earnings before interest and tax. NPAT = net profit after tax. All values are reported in Australian \$.
2. EBIT was not available for Northern Co-operative Meat Company Ltd, Plumbers Supplies Co-operative Ltd and NSW Sugar Milling Co-operative. Whilst they are listed in the top 100 by turnover these firms were not considered for inclusion in this list.
3. Lenswood Cold Stores Co-operative Society Ltd financials are reported for the year ended 31 December 2013. RACQ financials are reported for the period 1 January 2013 to 30 June 2013 only, due to a change in their reporting method from calendar to financial year.
4. Private health insurers that are not member-owned businesses are not included in this list, unless they are a subsidiary of an Australian co-operative or mutual entity. In this case the turnover of the parent entity includes all for-profit and not-for-profit subsidiaries. The following private health insurers are therefore included in the parent entity consolidated financials: Australian Unity Health Ltd and Grand United Corporate Health Ltd (parent entity Australian Unity Ltd), The Doctors' Health Fund (parent entity Avant Mutual Group Ltd), and Queensland Country Health Fund (parent entity Queensland Country Credit).
5. Candidates for the 2014 list were drawn from third party publications, namely Denniss and Baker (2012), top 100 lists published by Co-operatives Australia (CA, 2010, 2011, 2012), the State of The Health Funds Report (The Private Health Insurance Ombudsman, 2013), the list of health funds available by the Australian Government (PrivateHealth.gov.au), and a list of super funds provided by BCCM.

6. Data was sourced from firms' annual reports from their websites and other publicly available sources such as IBISWorld. Data was also collected through an online survey and follow-up calls to increase the participation rate. Any organisation for which financial information was not publicly available and they did not complete the online survey are not included in the final list. Data for the private health insurers was sourced from the PHICA (Private Health Insurance Administration Council) publication "The Operations of Private Health Insurers Annual Report 2012-13" and supportive excel data file..
7. Organisations that provide services to members but are either listed on the ASX, or are owned by a listed or privately owned (non-member owned or not Australian) organization were not included in the list.
8. Superannuation funds are reported separate to this list.

Table 5: Top 10 Australian Co-operative and Mutuals FY 2012/13 by State and Territory (from the Top 100 by Turnover)

RANK	NAME	GROSS TURNOVER	ASSETS	TOP 100 RANK
ACT HEADQUARTERED				
1	Service One	21,685,000	302,767,000	93
Combined Turnover & Assets held		21,685,000	302,767,000	
NSW HEADQUARTERED				
1	The Hospitals Contribution Fund of Australia Ltd	2,134,196,000	1,408,140,000	3
2	Namoi Cotton Co-operative Ltd	580,042,000	293,523,000	8
3	National Roads & Motorists' Association Ltd	478,886,000	1,131,318,000	12
4	Newcastle Permanent	456,057,000	8,296,357,000	14
5	Teachers Federation Health Ltd	409,392,000	314,450,000	16
6	Avant Mutual Group Ltd	408,456,000	1,775,784,000	17
7	Norco Co-operative Ltd	369,891,000	156,986,000	18
8	Dairy Farmers Milk Co-operative Ltd	327,016,000	23,737,000	19
9	Greater Building Society	315,938,000	4,957,548,000	22
10	CUSCAL	313,000,000	3,183,400,000	23
Combined Turnover & Assets held		5,792,874,000	21,541,243,000	
NT HEADQUARTERED				
1	Automobile Association of Northern Territory	4,189,831	5,342,996	117
Combined Turnover & Assets held		139,533,831	147,762,996	
QLD HEADQUARTERED				
1	Credit Union Australia	693,103,000	9,958,103,000	7
2	RACQ	532,827,000	2,242,016,000	10



Cooperative, mutual and member-owned firms  
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RANK	NAME	GROSS TURNOVER	ASSETS	TOP 100 RANK
3	Heritage Bank Ltd	493,712,000	8,507,047,000	11
4	Queensland Teachers Union Health Fund	113,120,000	105,384,275	42
5	CUA Health Ltd	93,979,000	64,660,000	48
6	Queensland Country Credit	92,389,000	1,203,764,000	49
7	QTMB	83,761,000	1,267,545,000	55
8	Queensland Police Credit Union Ltd	43,767,729	679,740,777	71
9	Railways Credit Union	33,529,448	578,659,165	80
10	Queenslanders Credit Union Limited	22,261,910	319,150,579	92
Combined Turnover & Assets held		2,202,450,087	24,926,069,796	
SA HEADQUARTERED				
1	People's Choice Credit Union	423,923,000	5,816,145,000	15
2	Royal Automobile Association of South Australia	257,064,000	383,491,000	26
3	Community CPS Australia (Beyond Bank)	245,208,000	3,790,755,000	28
4	Health Partners Ltd	127,194,000	109,839,924	40
5	Police Health Ltd	85,730,000	53,217,000	54
6	The Community Co-operative Store Nuriootpa Ltd	65,513,599	47,384,983	60
7	CCW Co-op	63,263,160	2,799,739	61
8	Credit Union SA Ltd	52,631,000	817,044,000	66
9	Police Credit Union Limited	48,329,000	701,853,864	69
10	Master Butchers Co-operative Ltd	43,605,164	37,599,447	72
Combined Turnover & Assets held		1,412,460,923	11,760,129,957	

Cooperative, mutual and member-owned firms  
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RANK	NAME	GROSS TURNOVER	ASSETS	TOP 100 RANK
TAS HEADQUARTERED				
1	St. Lukes Medical & Hospital Benefits Association Ltd	80,083,000	92,214,000	57
2	Royal Automobile Club of Tasmania	31,191,513	70,287,178	84
3	Health Care Insurance Ltd	14,194,000	15,763,226	102
Combined Turnover & Assets held		125,468,513	178,264,404	
VIC HEADQUARTERED				
1	Murray Goulburn Co-operative Co Ltd	2,389,435,000	1,659,054,000	2
2	Australian Unity Ltd	1,146,136,000	3,823,538,000	6
3	RACV	476,410,000	1,657,600,000	13
4	Defence Health Ltd	322,085,000	297,648,000	20
5	GMHBA Ltd	321,953,000	224,737,000	21
6	Australian Scholarships Groups	217,716,000	1,687,790,000	30
7	Bankmecu	170,263,000	3,041,256,000	35
8	Latrobe Health Services Ltd	129,983,000	159,590,000	39
9	Victoria Teachers Mutual Bank	108,300,000	1,774,475,000	44
10	Defence Bank	92,117,000	1,443,120,000	51
Combined Turnover & Assets held		5,374,398,000	15,768,808,000	

Cooperative, mutual and member-owned firms  
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RANK	NAME	GROSS TURNOVER	ASSETS	TOP 100 RANK
WA HEADQUARTERED				
1	Co-operative Bulk Handling Ltd	2,815,739,000	1,988,752,000	1
2	HBF Health Ltd	1,268,960,000	1,239,276,000	4
3	Capricorn Society Ltd	1,212,581,000	216,311,000	5
4	RAC WA	560,254,000	1,518,627,000	9
5	Geraldton Fishermen's Co-operative Ltd	213,586,271	65,170,495	31
6	Western Australian Meat Marketing Co-operative Ltd	211,946,000	69,991,000	32
7	Police & Nurses Credit Society Ltd	188,470,000	2,845,281,000	34
8	Healthguard Health Benefits Fund Ltd	106,371,000	120,309,000	45
9	Health Insurance Fund of Australia Ltd	99,494,000	96,012,545	47
10	Ravensdown Fertiliser Co-operative Ltd	35,767,000	17,284,000	78
Combined Turnover & Assets held		6,713,168,271	8,177,014,040	

**Notes to Table**

1. Only the Top 100 Australian Co-operatives and Mutuals by turnover for the FY 2012/13 were considered for inclusion in this list.  
*Refer to the Table 1 notes.*
2. All values are reported in Australian \$.

Table 6: Top 100 Australian Co-operative and Mutual Enterprises FY2012/13 by sector

	SECTOR	N	COMBINED TURNOVER	MEDIAN TURNOVER	MEDIAN EBIT	MEDIAN NPAT	COMBINED ASSETS
Agricultural producer		13	7,217.2m	210.0	0.4m	0.8m	4,376,7m
Banking and Finance services		38	5,570.9m	78.5	7.1m	4.6m	84,476,7m
Fishing		2	228.8m	114.4m	1.7m	1.3m	66,7m
Housing		1	41.2m	41.2m	1.8m	1.8m	683,8m
Insurance		25	7,638.8m	106.4m	9.0m	9.0m	10,781,1m
Personal services <sup>3</sup>		6	2,336.6m	477.6m	38.8m	36.2m	7,003,3m
Retailing		7	335.9m	28.7m	0.4m	0.3m	168,5m
Shared services		2	1,237.8m	618.9m	9.8m	7.1m	110,5m
Wholesaling/Purchasing		6	601.6m	83.3m	0.6m	0.4m	186,1m
TOTAL		100	25,208.8m				107,853.5m

#### Notes to Table

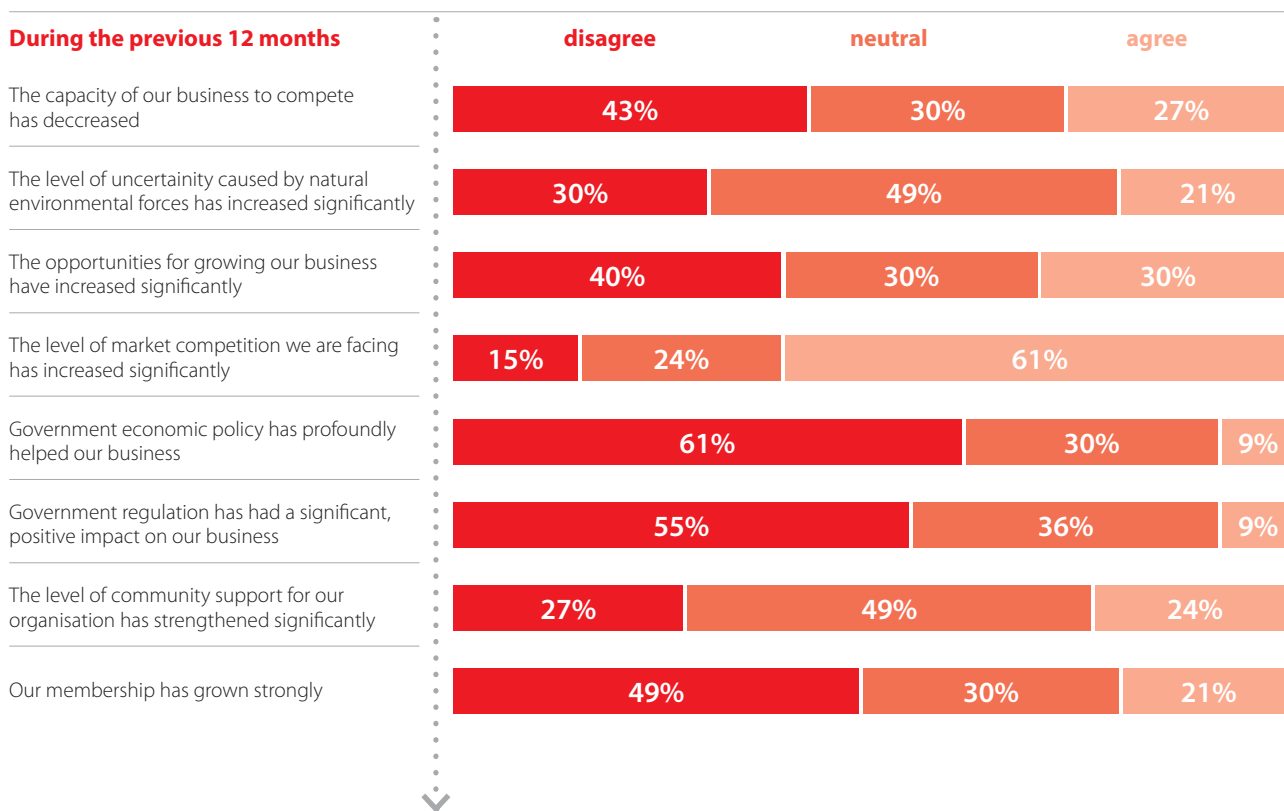
1. EBIT= earnings before interest and tax. NPAT = net profit after tax. All values are reported in Australian \$ million
2. Only the Top 100 Australian Co-operatives and Mutuals by turnover for the FY 2012/13 were considered for inclusion in this list.  
*Refer to the Table 1 notes.*

### Survey of the Top 100

At time of writing complete data for 34 organisations had been collected.

Within the ACMI survey seven items examined the perceptions of these organisations' managers towards their firms' organisational task environment. The purpose of these items was to explore how managers viewed the level of membership growth and community support, the impact of government regulation, level of market competition and any impact from changes to the natural environment. For each item the respondent was asked to indicate whether or not they agreed or disagreed with the statement using a 5-point rating scale where 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree.

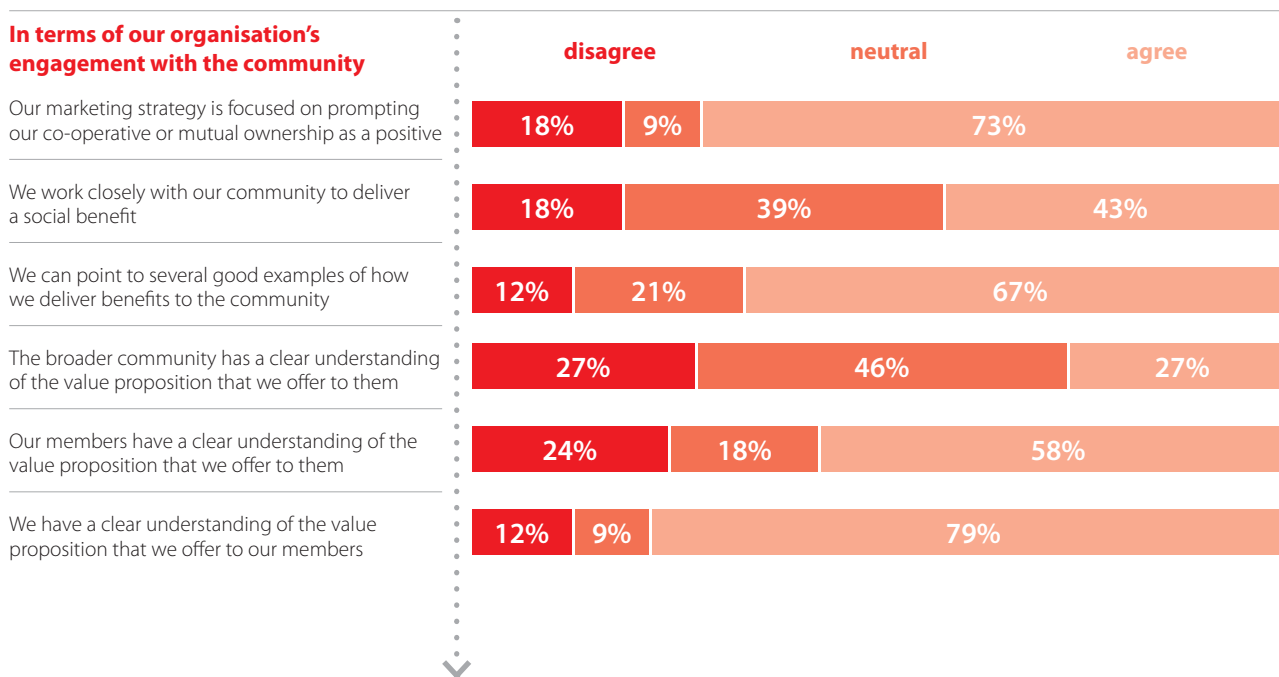
Figure 5: Perceptions of organisational task environment



### Member value and social capital

A further set of questions within the ACMI survey focused on the perceptions of the respondent firms towards their member value and social capital creation.

Figure 6: Member Value Proposition (MVP) and Social Capital Building













## Public Service Mutuals:

A third way for delivering public services in Australia

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BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

#### **Disclaimer**

All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of any individual persons. The report has been prepared by the Net Balance Research Institute for the Business Council of Co-operatives and Mutuals and the Australian Public Service Mutuals Task Force.

The authors of this report are: Les Hems, Melinda Leth, Erica Olesson, and Luke Turner.

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#### **About Net Balance**

Net Balance is Australia's largest sustainability consultancy, providing research, assurance and advisory services. The Net Balance Research Institute conducts applied research to inform the development of innovative solutions and create lasting societal impact for clients and their stakeholders. The Research Institute focuses on strategically important emerging issues, theories and trends which have the potential to transform businesses, not-for-profit organisations, social enterprises and government. For more information see [www.netbalance.com](http://www.netbalance.com) or join our social media site for public service mutuals: [www.yammer.com/publicservicesmutualstaskforce](http://www.yammer.com/publicservicesmutualstaskforce)

#### **About the Business Council of Co-operatives and Mutuals**

The Business Council of Co-operatives and Mutuals (BCCM) is an association of the chief executives of Australia's co-operative and mutual member based businesses and peak industry groups, representing a sector with a combined membership of more than 13 million. It is the only organisation that unites the entire, diverse range of co-operative and mutual businesses in Australia.

#### **About the Australian Public Service Mutuals Task Force**

Following a national roundtable on the role for co-operative and mutuals in public sector reform in November 2013, the BCCM established a national task force to explore the viability and roles for co-operatives and mutuals in delivering key public services. The Australian Public Service Mutuals Task Force was formed to oversee preparation of the Green Paper and White Paper which explore the potential for Public Service Mutuals in Australia. The Terms of Reference for the Task Force are included in the Appendix.

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Front cover montage:

Images (Clockwise from Top Left) RAC Rescue Helicopter, West Belconnen Health Co-operative (National Health Co-operative), Rathdowne Place Aged Care (Australian Unity), The Living Well Navigator Caravan (NRMA), Co-operative Home Care, Nundah Coop Parks Crew, Harmony Shepparton (Common Equity Housing Ltd) (Centre image) Chef from Nundah Coop's Espresso Train Cafe

August 2014

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## Foreword

**The Hon Kevin Andrews MP**  
**Minister for Social Services**

The Abbott Government is committed to building community capacity and resilience in Australia by encouraging the growth in civil society. Civil society is based on the relationships and institutions that are neither created nor controlled by the State. Through these activities we can build character in individuals, foster social cohesion in communities, address community problems and provide positive role models for the next generation.

It was Lord Beveridge in his 'Report of the Inter-Departmental Committee on Social Insurance and Allied Services' published in 1942 who said, "The state in organising security should not stifle incentive, opportunity, responsibility... it should leave room and encouragement for each individual to provide more than that minimum for himself and his family." Known as 'the Beveridge Report', it would become the blueprint of the UK's post war social security consensus and in time it would be adopted in Australia and New Zealand.

Over many decades the Beveridge ideals of a lighter-touch safety net have been swept away. Social insurance models have been replaced by state-run entitlement programmes and an overly complex social support system driven by bureaucracy and for some, an over-dependence on Government welfare.

I commissioned the McClure review of Australia's social welfare payments and system in response to the significant and well documented challenges we are facing. The review's 'Interim Report, A New System for Better Employment and Social Outcomes' has made many suggestions for change. It also highlights the key role co-operatives and mutuals can play in enhancing Australian civil society: "In developing intergenerational self-reliance, co-operatives help to reduce welfare dependency... provide jobs for local people, offer goods and services and use procurement practices that support local business. They are grassroots businesses, owned and operated at a local level, and their profits remain in the community contributing to local economic development. They are a great example of social and economic participation."

The Beveridge Report's enthusiasm for 'mutualising' risk and reward has a long Australian tradition. In the second half of the nineteenth Century, Australians pioneered mutuals and friendly societies across the six colonies. Found in every community, these institutions were voluntary and self-regulating. By the eve of the First World War, around 400,000 friendly society members helped to fund benefits for over one million Australians. Today, Australia's 13 million plus members of co-operative and mutually owned businesses are in our motorists mutuals, non-profit health funds, customer owned banks, agricultural-business giants, retail conglomerates, member-owned super funds and numerous local health and community services organisations.

Mutuals and co-operatives have demonstrated they are good for markets and for competition. Their different ownership structure allows them to focus on their customers rather than on short term shareholder returns. This enables them to pursue longer-term and sustainability-oriented growth strategies. Mutuals and co-operatives also help to spread risk in economies and provide stability through diversity.

This White Paper calls for the recognition and realisation of a third way of delivering public services based an expanding role for co-operative and mutual member based businesses. This includes the opportunity to explore the potential for employee run mutuals. Public Service Mutuals are also good for the economy. Through the process of unlocking the latent entrepreneurialism that exists in all communities – and especially amongst the workforce of the public sector - mutuals can increase productivity, create jobs and drive innovation at the local level.

Co-operative and mutual public services have potential to drive the reshaping of mainstream services. In managing public services as interconnected and decentralised systems, they promote stronger, local level relationships and neighbourhood-based approaches to the ownership and operation of key services. Over time mutuals could become a new form of institution that enables citizens to tackle shared problems together and makes the services on offer a better fit for the more complex times in which we live.

The UK Government is an international leader in this area and has supported the development of a huge diversity of Public Service Mutuals that address a broad range of public needs in the areas of health, human services, housing, disability, justice and emergency services. This White Paper calls for Australia to now create an expanded role for co-operatives and mutuals in delivering our public services. Through this White Paper, the Business Council of Co-operatives and Mutuals (BCCM) is bringing the term Public Service Mutual into the Australian lexicon.

It's a change in language and a developmental approach that this Government applauds. Rather than a cumbersome 'top-down, "government-knows-best' approach, this government believes in 'bottom-up', grass roots enterprise. We believe in adept and adroit for-purpose organisations and social enterprises that can adapt to changing circumstances and evolving needs. No group of Australian organisations better embodies these principles than the co-operative and mutual sector.

This same 'bottom-up' principle is also the motivating force behind our decision to set up a National Centre for Excellence for Civil Society. The Centre will support the wide range of organisations that make up civil society – regardless of size, type or mission. It will help build capacity of the civil society sector by supporting innovation, providing education and training, and working to reduce reporting and red tape.

It is time for government at all levels to help mobilise civil society and to actively support co-operative and mutual approaches as key to this. The Federal Government wholeheartedly supports the intent of this White Paper and will continue to work with the BCCM to further promote the value to civil society of co-operatives and mutuals. We believe that no-one knows local communities better than the community members themselves.

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## 1. A Message from the Task Force Chair

In 2013 the Business Council of Co-operatives and Mutuals (BCCM) and **bankmecu** commissioned Net Balance Research Institute to prepare a report exploring the potential for co-operatives and mutuals to deliver Australian public services. This report recommended the establishment of a Task Force to oversee the development of a Green Paper to provide evidence for the business case for mutuals delivering public services in Australia and to produce recommendations in a White Paper focused on implementing the findings.

I was invited to Chair the Public Service Mutuals Task Force, which has been both an honour and a revelation. I have always been an advocate of organisations that are genuinely in the business, and capable of responding to the needs of their customers. Mutuals and co-operatives have a natural ethos of their members as consumers being “first and last”, and shared value not share value. These values make them a natural fit for delivering consumer-directed public services. The full potential of co-operatives and mutuals to address some of Australia’s most complex social issues and budget pressures, was something that became evident over the course of this project. Throughout the development of the Green Paper, followed by this White Paper, the Task Force received enthusiastic support and a great deal of interest in how we deliver public services in this country by reengaging with the power of mutualism.

Co-operatives and mutuals are not speculative business and they are not charity, they are another form of self-help based on reciprocity, independence and democracy. This makes them very powerful when the outcome that you want from social services is more choice and control for the users of services.

The issue the Task Force is grappling with is why - if these member based, democratic models make sense and are so suitable for the times - don’t we know more about them? Why are they not front of mind?

The research undertaken to date, and the experience in the UK and other jurisdictions, shows that co-operatives and mutuals have the potential to generate better social outcomes, greater value for money, higher returns on investments, greater economic and social resilience, and higher levels of consumer engagement and employee wellbeing. Realising this potential in Australia will require the formulation of a

strong body of evidence, a compelling business case, sustained communications and implementation strategies. Above all, it requires a commitment from Government, mutual and co-operative businesses and the wider community to facilitate the growth of the co-operative and mutual sector in delivering public services.

I would like to take this opportunity to thank all members of the Task Force for their guidance, expertise and vision in helping to shape what I believe can be a pivotal document in a new era of public service innovation,

**Gillian McFee**

NRMA Motoring and Services  
Chair, Public Service Mutuals Task Force

## 2. Overview

Co-operatives and mutuals are a form of organisation based on reciprocity, autonomy and democracy.<sup>1</sup> There are an estimated 1,600 co-operatives and mutual businesses with more than 13 million members in Australia. Examples range from large agricultural co-operatives and motorists' mutuals to small disability service co-operatives.

The unique ownership structure and ethos of serving members first enables co-operatives and mutuals to deliver services based on the needs of the people using those services.

This White Paper has its focus on the potential role of co-operatives and mutuals in delivering public services through 'Public Service Mutuals' (PSMs). The recent interim report of the McClure Review of the Australian welfare system recognised this potential. It concluded co-operatives and mutuals are 'a great example of social and economic participation... premised on self-help and empowerment rather than aid and charity'.

Co-operatives and mutuals have a long history in Australia of supporting communities to self-organise in the interests of risk protection, social security, health care, education, consumer protection, income and job support. As the Minister's Foreword to this report details, by the early 20th Century there were over 400,000 Australians in friendly societies providing benefits for over one million members.

Co-operatives and mutuals lost momentum in the later part of the 20th Century due to increasing government regulation, the growth of the welfare state and the professionalisation of social services. In the 21st Century we are experiencing resurgence in the sector. It is a time when governments all over the world are looking for empowerment based public service delivery within increasing budget constraints and rising consumer expectations. This is a clear call to co-operatives and mutuals.

In other countries such as the USA, Spain and the United Kingdom the sector is responding with great vigour. Francis Maude of the UK Cabinet Office stated in July 2014 that: 'mutuals are the future of public services.'<sup>2</sup>

The UK Government has supported the development of 100 employee-owned PSMs since 2009, that now employ over 35,000 people generating more than 3000 new jobs and delivering over \$1.5 billion of public services.<sup>3</sup>

Recent UK evaluations of these developments highlight that mutuals lead to lower production costs and higher productivity. Mutuals were also demonstrated to be innovative, profitable and more resilient to changes in the economic climate. They show higher consumer satisfaction, lower absenteeism and sickness rates, less staff turnover, and increased levels of staff commitment to, and enthusiasm for, their work.<sup>4</sup>

In the context of increased demand, more complex cases, rising costs and dwindling resources, social services procurement is becoming a value-based commissioning activity to support individual choice and control.<sup>5</sup>

EY estimates up to \$100 billion of services will need to be delivered in this new 'public private production system'.<sup>6</sup> This transition is creating unprecedented challenges in terms of workforce planning and ensuring equitable and efficient service markets.

The inherent characteristics of PSMs can help government and the market meet the demands of service consumers, and achieve the desired outcomes of user choice and control, efficient, productive and innovative service delivery, and social and economic 'return on investment' for taxpayers.

PSMs are well placed to support community resilience where public services cannot be delivered due to market or other service provision failure. Co-operatives and mutuals have many advantages in delivering public services in areas that are not well serviced because they are small, remote, complex or specialised. Co-operatives and mutuals have proven particularly useful when:

- Services are too expensive for government or market forces to provide
- There are low or variable profits
- Specialised service is needed
- User input is required in service design and delivery.

This White Paper states that co-operatives and mutuals should be playing an increasingly significant role in the social services sector. It details their key benefits including:

<sup>1</sup> Please note the terms 'mutual', 'co-operative' and 'friendly society' and PSM are used interchangeably throughout this response.

<sup>2</sup> The Cabinet Office and Hon. F. Maude MP, "Cabinet Office mutuals reach century success", 2014, [www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success](http://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success)

<sup>3</sup> The Cabinet Office and Hon. F. Maude MP, 2014

<sup>4</sup> Mutuals Taskforce, *Public Service Mutuals: The Next Steps*. Cabinet Office, 2012.

<sup>5</sup> Ernst & Young, "Creating Public Value: Transforming Australia's Social Services," Ernst & Young, Australia, 2014

<sup>6</sup> Estimate based on reported 2014-15 federal government social security and welfare expenditure of \$146 billion.



- Increasing organisational diversity in public service markets
- Harnessing the professionalism of employees and unleashing entrepreneurialism
- Increasing consumer choice and control
- Stimulating innovation.

A range of activities will be required to support the development of PSMs. The White Paper acknowledges that many communities will need a small amount of external

assistance with technical advice and business models to establish sustainable PSMs. Some will require access to start-up capital while most will need assistance with training, capacity building and expert advice.

The White Paper demonstrates that providing the support required to establish new mutuals will prove highly effective with a huge diversity of consumer outcomes. The opportunities for the co-operative and mutual sector itself, in the new context of public service provision, are unprecedented.

## Back to the Future?

Edited excerpts from an article published by the Ludwig von Mises Institute.<sup>7</sup>

In Britain the friendly societies were the most important providers of social welfare during the nineteenth and early twentieth centuries.<sup>8</sup> By the 1920s, at least one out of every three males in the US was a member of a mutual-aid society.

'Friendlies' served social, educational, and economic functions. They were an association of individuals who pledged to help each other when the occasion arose. Assistance was not a matter of largesse but of entitlement, earned by the regular contributions paid by every member and justified by the obligation to do the same for other members if hardship came their way.

By the early years of the twentieth century the friendly societies were offering benefits such as: sick pay, medical care, funeral insurance and financial and practical support for widows and orphans. Medical services were usually provided by the lodge or branch doctor and most large towns also had a medical institute. The societies also provided a network of support to enable members to travel in search of work.

The prevailing ethic in the earliest clubs was that everyone should have an equal say in common decisions. The societies prided themselves on the absence of barriers to the advancement of any member.

<sup>7</sup> D Green, "Medical Care through Mutual Aid: The friendly Societies of Great Britain, in D.T. Beito, P. Gordon and A. Taborrok (eds), "The Voluntary City: Choice, Community and Civil Society, Ann Arbor, 2002, p. 205.

<sup>8</sup> Friendly society is an early name for a mutual or co-operative form of organisation.

### 3. Introduction

This White Paper calls for the recognition and realisation of a third way for delivering public services based on an expanding role for co-operatives and mutuals. We call the mutual organisations delivering these services ‘Public Service Mutuals’ or ‘PSMs’.

The context for delivering public services in Australia is fundamentally changing and radical reform will be required to address the immediate and emerging challenges. Budget

and wider fiscal challenges mean the role of governments in funding and delivering public services is no longer a given. The outsourcing of public services, including sale and transfer of ownership, creates new opportunities for co-operatives and mutuals in Australia. As part of this reform, this White Paper calls for the inclusion of PSMs as a third way for the delivery of public services.

#### What is a Public Service Mutual?

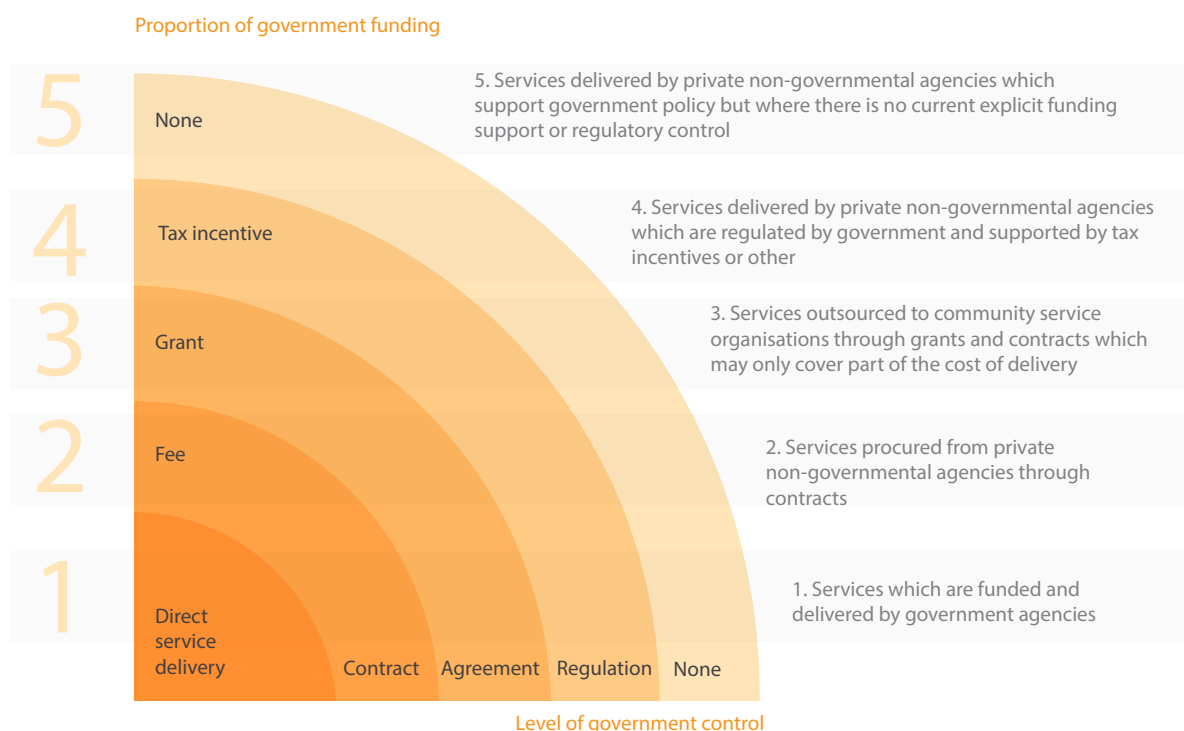
A Public Service Mutual or PSM is *“an organisation which wholly or in part delivers public services through a co-operative or mutual governance structure, whereby members of the organisation are able to be involved in decision-making, and benefit from its activities, including benefits emanating from the reinvestment of surpluses.”*

In Australia we have categorised PSMs into three main groups – consumer, producer or employee and enterprise PSMs. They can also be a combination of all three.<sup>9</sup>

#### Public Services

Public services are defined as the services, which support public policy, ranging from those funded and delivered by government agencies to services where there is no explicit government funding or control. They include services procured by government from private non-government organisations through contracts or supported through grant agreements and also include the use of tax incentives and regulatory mechanisms. This range is depicted in Figure 1. Public services are increasingly delivered through market mechanisms such as the National Disability Insurance Scheme where funding is controlled by service consumers which facilitates client directed care.

Figure 1. Scope of definition of ‘public services’ as delivered through PSMs



<sup>9</sup> This definition is discussed in Section 2.2. of the Net Balance Research Institute Green Paper, “Public Service Mutuals; The case for a Third-way for delivering public services in Australia,” June 2014

### 3.1. The rationale for mutuals delivering public services

For many decades Australia has benefitted from a pluralistic approach where public service delivery by government is complemented and supplemented by services delivered by for-profit businesses, not-for-profit organisations, and co-operatives and mutuals. More recently, the provision of public services outside of government has become polarised with

emphasis on the roles for for-profit organisations (privatising) and community service organisations (outsourcing). However, Australian co-operatives and mutuals have a long history of delivering public services and continue to be an important participant in public service markets.

#### The Role of PSMs in Public Services

There are three main types of co-operatives and mutuals: consumer, producer (employee) and enterprise; with hybrids of these three types also occurring. Each has much to offer the social services sector.

##### Consumer Co-operatives

Consumer or community-owned co-operatives work best where people with a common sense of purpose collaborate towards agreed goals. Consumer co-operatives can be ideal for disadvantaged groups where there is the energy, commitment and expertise in their community to tackle problems.

Consumer co-operatives are built on the huge range of support groups and organisations in public services that have been developed by consumers throughout Australia. Consumer co-operatives recognise the importance of personal identity in public services. People want to identify with the support they receive and they want it to be culturally relevant.

Co-operatives provide consumers with enhanced networks, increased confidence and skills. They are an outstanding method of developing the capacity of their members to participate in the broader community.

Consumer co-operatives have demonstrated success and have enormous further potential with some of Australia's most disadvantaged groups including Indigenous groups, small rural communities, people from culturally and linguistically diverse (CALD) backgrounds, people with disability and their families and older Australians in need of care and their carers. If given the right support, many more of these groups will collaborate to find their own solutions to the issues they face.

Examples of community-owned co-operatives are Dandenong and District Aborigines Co-operative Ltd, and patient owned, National Health Co-operative. Customer owned banks like **bankmecu** and member owned mutuals like NRMA are also forms of consumer co-operatives.<sup>10</sup>

##### Producer Co-operatives

These co-operatives work best with employees who share a common goal and have the skills to co-operate. They provide staff with autonomy and the ability to make judgements as to how to provide the best service at the local level. They free staff to act entrepreneurially and to innovate.

Successful public services are characterised by strong relationships and personalised services. Employee co-operatives and employee governed businesses have proven highly effective for working with people with complex needs, where consistency of personnel is required, and where services are focused on being empowering. Staff based co-operatives could prove particularly effective in providing care services for people with disabilities or ageing Australians, and also in rural, CALD and Indigenous areas where staff attraction and retention has proven problematic.

Examples are Nundah Community Enterprise Co-operative and Co-operative Home Care.<sup>11</sup>

##### Enterprise Co-operatives

Governments throughout Australia are seeking larger, more efficient public service organisations with a single point of entry for a wide range of complex social problems. Many smaller, yet highly effective social support organisations may not survive competing against these larger organisations with economies of scale.

In many jurisdictions this means larger organisations are replacing smaller local groups with long held relationships, local knowledge and specialist expertise. Many local people and organisations are becoming concerned over what is being lost in these reforms and industry restructuring.

Enterprise co-operatives can support smaller local providers to compete by enabling them to share corporate functions including bulk purchasing, accounting, HR, marketing, client software and OH&S services. Enterprise co-operatives can assist smaller and specialist organisations to increase productivity and market power whilst retaining local input and local jobs.

Community Child Care Co-operative Ltd and Common Equity Housing Limited are examples of enterprise co-operatives.<sup>12</sup>

<sup>10</sup> For more information refer to the Summary of Case Studies Table in Appendix C

<sup>11</sup> See Appendix C

<sup>12</sup> See Appendix C

Emerging challenges for public services include increased demand created by an ageing population and community expectations to provide opportunities for all segments of the population, especially people with disabilities and people who are most disadvantaged. There are intractable or 'wicked' social problems that require new approaches including obesity, Indigenous disadvantage, affordable housing and homelessness, and there are rising expectations in terms of the quality and accessibility of public services, and a preference to have greater choice and control over services. This has changed the focus of public policy to empower the consumers of public services to direct how services are provided to them. Implementing consumer directed policies such as the National Disability Insurance Scheme (NDIS) is as challenging for government as it is for non-government service providers.

In Australia, like many jurisdictions, governments have recognised their limitations and are withdrawing from directly delivering public services in favour of public private partnerships (PPPs) and devolving service delivery to non-governmental organisations. However these options also have known limitations and there is an increasing emphasis on public service innovation. The most common risks for the failure of public service markets relate to insufficient available information for consumers to make optimal decisions, consumers being priced out of the market or not being able to access services because they are unprofitable, monopoly service provision, and increased costs or lower quality services to achieve profits. Community service organisations seek to address some of these failures but also face challenges including their inability to secure ongoing and reliable funding, limiting access to specific parts of the community, and paternalistic governance structures where service recipients do not have a voice.

## Addressing Complex or Wicked Problems

Employee co-operatives provide a strong foundation for addressing intransigent or 'wicked' problems. Complex social service problems require approaches that engage the patience, expertise and commitment to learning on the part of the service provider. Often the service provided is cost intensive with low profit margins. Complex problems require:

- Holistic responses
- Local collaboration and communication
- Autonomy to act combined with transparent accountability
- User and expert multidisciplinary input
- Flexible, incremental approaches with review
- Information sharing and knowledge development
- The development of relationships and trust
- An empowerment approach modelled by staff and delivered to consumers.

These are also the key features of staff co-operatives that engage employees' hearts and minds. Public service staff are attracted to 'make a difference' in their work. Employee co-operatives tap into the commitment and goal orientation required to address complex problems.

This can be seen in Co-operative Home Care, a new worker co-operative that is responding in an innovative way to the devolution of home support services to the market and the increased client demand for high quality, consistent and culturally sensitive care. The enterprise is committed to best practice working conditions that support the integrity of service provision and the capacity of the employees, who are also the owners, to deliver the best care.



### 3.2. A third way for delivering public services

This White Paper provides findings and recommendations to support a viable alternative for delivering public services, a third way where co-operatives and mutuals play an expanded role using their inherent characteristics to generate comparative advantage over other methods of delivering public services and the potential to address the failures associated with government, for-profit and community service provision.

The process of developing recommendations for the White Paper involved collation of evidence in the Green Paper and

a program of consultation. The Green Paper was released for consultation in June 2014. Feedback was received through workshops (which occurred during the development of the Green Paper), an online discussion group and a survey. Approximately 300 stakeholders were engaged on the Green Paper.

#### Co-operative Housing

Housing co-operatives are the quiet achievers in the social housing sector. They have been highly successful in Australia and should be seen as a priority for expansion to assist in addressing the issues of affordability, homelessness and community engagement.

Co-operative housing can either be rental housing or based on a wide range of co-operative ownership models. In general, co-operative housing provides long term, secure and affordable housing for people on low to moderate incomes. Democratically run, a housing co-operative is managed by its residents who are responsible for managing tenancy

agreements and maintaining the housing. Co-operatives have formed for lower income households in various locations and around cohorts of particular social disadvantage including new arrivals, women escaping domestic violence, disability and aged pensioners.

In Victoria, Common Equity Housing Limited is a leading provider of co-operative managed housing, providing affordable housing to more than 2200 Victorian households. CEHL has developed expertise in assisting member co-operatives to function well and in developing appropriate housing for a diverse range of consumer groups. CEHL has won numerous awards for its development of low cost, sustainable and for-purpose housing.



## 4. Summary of findings from the Green Paper

The recommendations in this White Paper build on the Green Paper, which explored how co-operative and mutual models can be used to address particular problems, emerging issues or market need. The consultation process found, for instance, how innovation through consumer, employee or enterprise ownership structures can help address issues in areas such as disability, aged care, affordable housing and employment services. The findings of the Green Paper and consultation process are summarised in this section.

The full potential and distinctive contribution of co-operatives and mutuals delivering public services has yet to be recognised in Australia. This is largely due to lack of awareness of co-operative and mutual models and the unintended institutional bias favouring privately owned and traditional not-for-profit organisations. Despite this, there are many co-operatives and mutuals delivering public services. Many, like friendly societies are long established and pre-date government welfare. These organisations take different forms and operate across a range of service areas. This diversity is an essential element for co-operatives and mutuals to offer a viable third way to approach public service delivery.

The inherent characteristics of co-operatives and mutuals that generate comparative advantage when delivering services relates to their autonomy and independence, the control and decision-making by members, member economic participation, reinvestment of profits, and co-operation. These characteristics deliver four main benefits:

### 1. Increase organisational diversity in public service markets

- PSMs can address government, voluntary and market failure, such as information asymmetry, to better meet the needs of consumers. PSMs can help small and medium sized service providers collaborate and operate more efficiently in public service markets.

### 2. Harness the ethos and professionalism of public service employees and unleash their entrepreneurialism

- employee owned organisations 'spun out' of existing government organisations are an alternative to privatising and outsourcing services to markets. Employee owned organisations can play a role in developing a quality, innovative public service workforce.

**3. Increase consumer choice and control** - by helping individuals and communities to formulate their own responses to problems in client directed care markets, such as the National Disability Insurance Scheme. PSMs develop community resilience and empowerment through community owned co-operatives. They develop civil society.

**4. Stimulate public service innovation** - to focus on the needs of service consumers and public service staff. Existing member owned organisations such as motoring and health mutuals can transform their business models to focus on evolving member needs. As public service markets expand and become more competitive, PSMs can help facilitate collaboration between existing providers to achieve operating efficiencies and increase their market power.

Public Service Mutuals have the autonomy of the private sector, a social purpose comparable to a public sector ethos and self-determination. These characteristics enable PSMs to address some limitations of public service delivery by government, for-profits and community service providers.

The Green Paper presented a range of case studies of Australian and international co-operatives and mutuals. These provide insights into how co-operatives and mutuals have evolved to address particular needs and their diverse structures (see Appendix C). The Green Paper also presented a system level case study to illustrate how an expanded role for PSMs could support the implementation of the National Disability Insurance Scheme (NDIS).

For more information refer to the 'Green Paper, Public Service Mutuals: The case for a Third Way for delivering public services in Australia', June 2014

## PSMs and Disability Services

The commitment required to underpin successful disability consumer co-operatives is demonstrated by the huge diversity of advocacy and support services in the sector, many of which were created and/or driven by people with disability and their families.

Purchasing or service delivery consumer co-operatives would be particularly effective for rural, CALD and Indigenous groups and for people that have common equipment, support or treatment needs. Co-operatives would address a number of issues confronting the roll-out of the NDIS; they would help maximise the ability to attract, retain and vet services and providers.

Staff based co-operatives align well with many of the key NDIS requirements and can create a strong foundation for effective disability service delivery. They could prove particularly effective in areas where staff attraction and retention has proven problematic. The NDIS trial site in Barkly NT could prove an ideal pilot area for a disability staff co-operative.

Many smaller yet highly effective disability support organisations may not survive in the emerging NDIS markets competing against larger organisations. Enterprise co-operatives can support smaller disability providers to compete through collaboration.

Nundah is an example of a successful disability worker co-operative. It has a track record of sustainable employment for its members, the majority of whom were long-term unemployed before starting the co-operative. 80 per cent of the original members have been employed by the co-op for more than a decade. The members with disability are employed on award wages, have job security and participate in the mainstream workforce - a number of them having substantially reduced their reliance on welfare income subsidies.



## PSMs and Healthy Aging

Governments are concerned about the potential costs of an ageing population. Older people want to stay out of residential care and live in their communities for as long as possible.

Consumer expectations are rising and traditional block funding to providers is receding. Funding is rapidly shifting towards consumer directed approaches and contestable markets mean consumers will choose their services on the basis of customer service and value for money.

In this rapidly changing environment, aged services will have to find ways of being more competitive, productive and efficient. Mutuals have demonstrated they can play a key role in the innovation now essential to success. This is because they:

- Provide a source of capital for development of existing and new services
- Build capacity for individuals and communities and support 'ageing well'

- Achieve higher levels of consumer and staff engagement in service delivery
- Can deliver more effective services at a lower cost
- Tap into the resources of time and skill that older volunteers want to contribute.

Older people are already the backbone of volunteering in Australia. Waverton Hub is an example of this volunteering or mutual ethic at work. Waverton is a new mutual organisation based on the US Beacon Hill model where members are helping each other to stay in their own homes, be healthy and create a market for local service provision.<sup>13</sup> Local communities of support like Waverton can support people to remain living in the community, and outside of residential care, for many years longer.



## PSMs and Health Services

The UK Government argues that it is the benefits delivered by staff co-operatives that explain many of the recent improvements demonstrated in the UK health system. New health and social service mutuals in the UK are consistently demonstrating higher productivity and higher consumer and employee satisfaction in services that have moved to the mutual model.<sup>14</sup>

PSMs in the UK currently deliver approximately one billion pounds of health services. Many of the 40 health organisations that have become mutuals are staff run co-operatives. These mutuals have an average staff size of around 500 and average turnover of around £20m. Examples of success include the Hull Health Care Partnership that identified £600,000 savings a year while raising user satisfaction by 7 per cent and a staff co-operative in Surrey that boosted productivity by 41 per cent on the stroke ward in Epsom General Hospital.

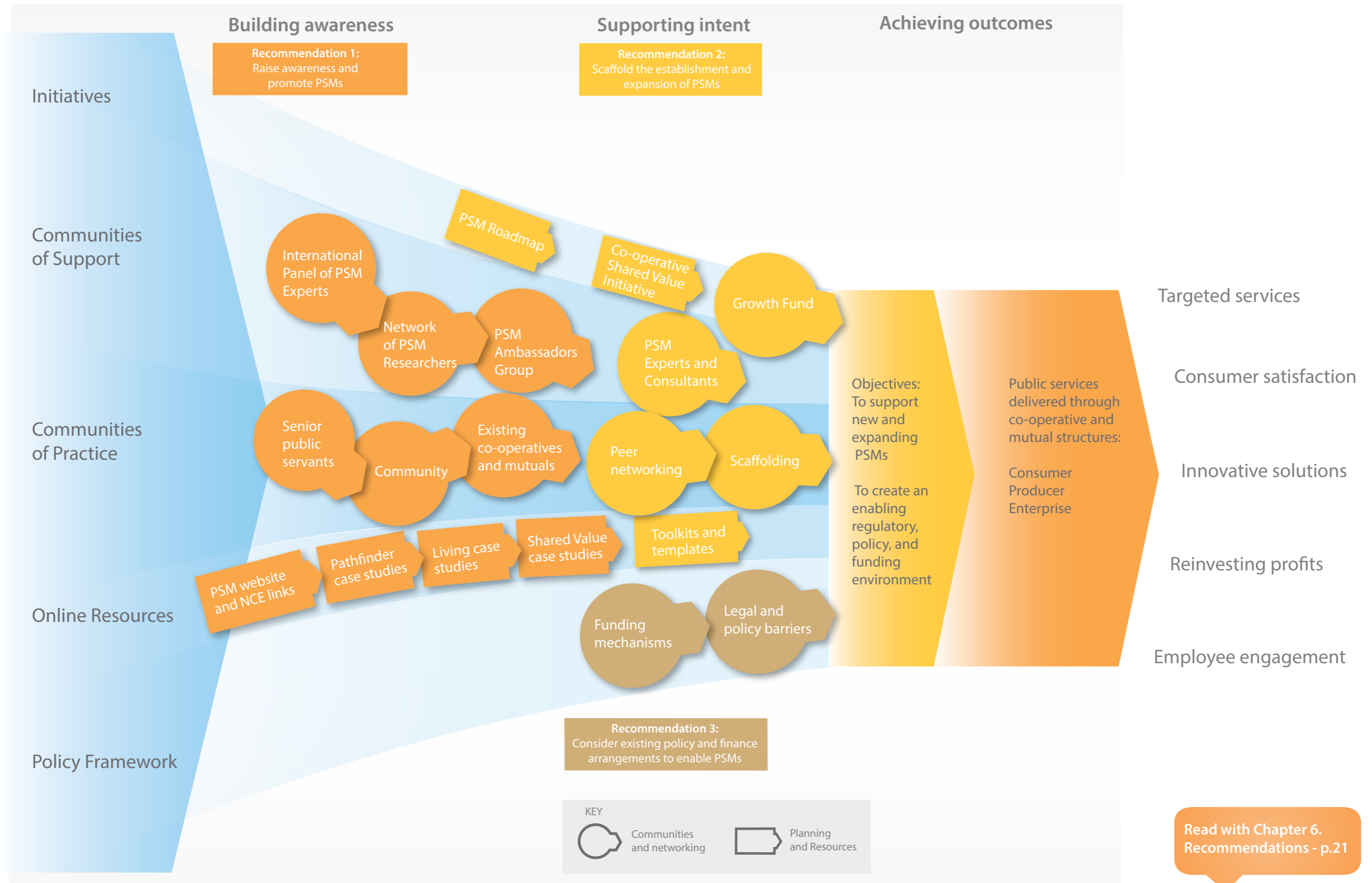
Similar success has been demonstrated in Australia by consumer owned health practice, the National Health Co-operative (NHC). NHC was internationally recognised when it was selected as the only Australian health services case study presented at the International Co-operative Summit in 2014. NHC's success is demonstrated by its growth in market share of the ACT primary health care sector to 7 per cent of the population since 2010. NHC was started by community members to provide affordable and accessible medical and health services to the local community where there was a doctor shortage. Their membership is growing at a rate of more than 10 per cent per quarter.



<sup>14</sup> J Le Grand, "The public service mutual: A revolution in the making?"; *Making it Mutual: The ownership revolution that Britain needs*, London: ResPublica, 2013.



Figure 2. Recommendations and supporting actions to grow PSMs in Australia and realise the benefits of co-operative and mutual structures



Read with Chapter 6.  
Recommendations - p.21

## 5. Opportunities to grow Public Service Mutuals

The Green Paper identified a range of opportunities for expanding the role of Public Service Mutuals, which were supported by the feedback from the consultation. These opportunities include the establishment of new co-operatives and mutuals, expanding existing co-operatives and mutuals, and extending the activities of co-operatives and mutuals to include public services to create shared value - the co-creation of commercial and social value.

### 5.1 Establishing new Public Service Mutuals

Federal and state governments' intentions to privatise and outsource public services provides an opportunity for **'spinning out'** staff owned public service mutuals as an alternative third way to for-profit businesses and community service organisations. These opportunities include some of the large national government agencies identified in the National Commission of Audit, along with teams of specialists and carers still operating in state and territory government agencies, such as the Large Residential Centres, Group Homes, Specialist Supported Living, Home Care Services and Aboriginal Home Care services identified in New South Wales.<sup>15</sup> This approach has been particularly successful in the United Kingdom with the establishment of over 100 employee-owned PSMs since 2009 that now employ over 35,000 people generating more than 3000 new jobs and delivering over \$1.5 billion of public services.<sup>16</sup>

There are also opportunities for for-profit businesses and community service organisations to **'spin off'** teams of employees into staff owned PSMs. This may be of particular relevance to community service organisations that have invested in the establishment of social enterprises, are undergoing restructuring, or are considering the closure of non-core services.

Existing public service providers facing both the challenges and opportunities of the new public service markets may decide to operate collaboratively and **'spin together'** an enterprise owned PSM. Enterprise Co-operatives can support smaller local providers to compete by enabling them to share corporate functions including bulk purchasing, accounting, human resources, marketing, client software and occupational, health and safety services. Enterprise co-operatives can assist smaller and specialist organisations to increase productivity and market power whilst retaining local input and local jobs.

The emphasis on client directed care and consumer choice and control will be a stimulus for individuals and communities

to create or **'spin up'** new consumer owned PSMs, as will government policies aimed at community empowerment.

Individual carers may also decide to work collectively and create or 'spin up' an employee-owned PSM to address community needs. This approach to growing a quality care workforce will be of increasing importance as public service markets such as the National Disability Insurance Scheme (NDIS) and aged care expand.

### 5.2 Expanding the role of existing Public Service Mutuals

There is potential to expand the activities of existing Public Service Mutuals from the small local co-operative service providers operating under a government grant or contract to the larger national mutual organisations operating in regulated public service markets like health insurance. This expansion can take the form of organic incremental growth or through the process of emulation and replication. Alternatively, proactive strategies can be adopted such as social franchising and development strategies.

### 5.3 Existing co-operatives and mutuals creating shared value

A significant number of existing co-operatives and mutuals have the potential to extend their activities to include public service provision and thus create shared value. A number of large Australian co-operatives and mutuals have utilised insights of their members and their accumulated capital to innovate and create public services that address social problems.

Large membership organisations, such as those offering motoring services and providing health insurance, have established aged care facilities and other innovations to help their members and the wider public access affordable and appropriate aged care e.g. NRMA's Living Well Navigator<sup>17</sup> and Emergency Home Assist.<sup>18</sup> Customer owned banks also have the potential to address 'wicked' social problems such as financial exclusion. The ageing population and increasing demand for independent and supported living may provide considerable opportunity for existing co-operatives and mutuals to establish or expand aged care services.

<sup>15</sup> Public Service Association of NSW (PSA), "News Archives", 2014, <http://psa.asn.au/category/other-news/departments/adhc/page/4/>

<sup>16</sup> The Cabinet Office and Hon. F. Maude MP, 2014

<sup>17</sup> NRMA, "Living Well Navigator", 2014, <http://www.mynrma.com.au/lwn.htm>

<sup>18</sup> NRMA, "Emergency Home Assist", 2014, <http://www.mynrma.com.au/emergency-home-assist.htm>

## 5.4 Transforming organising models

The benefits and comparative advantage of Public Service Mutuals may stimulate businesses and community service organisations to transform their business model. This may be particularly relevant in consumer directed care markets where community service organisations or businesses seek to retain clients by offering them ownership stakes and a democratic mechanism for control. Similarly, community service sector advocacy and representative organisations may decide to transform themselves into a consumer co-operative in order to purchase services which they can design and where they can achieve market power and buy services which offer greater value for money.

## 5.5 Scaffolding the development and growth of Public Service Mutuals

The Green Paper identified a range of activities required to 'scaffold'<sup>19</sup> the development and growth of PSMs and realise the opportunities. The scaffolding activities include the

following mechanisms which have been used to formulate the White Paper recommendations:

- Increase awareness of PSMs and co-operative and mutual models
- Provide training, capacity building and expert advice for the creation and expansion of PSMs
- Create an enabling legal, regulatory and policy environment for the creation and expansion of PSMs
- Provide access to start up and working capital
- Develop an ecosystem for existing co-operatives and mutuals to help create PSMs.

These activities require the involvement of a range of stakeholders including the co-operative and mutual sector, government, not-for-profit organisations and intermediary agencies.

<sup>19</sup> Scaffolding refers to support structures to enable PSMs to develop effectively and successfully. It includes learning and development which seeks to maximise self-initiative and provide additional support through collaborative mechanisms such as mentoring, peer support and use of grounded expert knowledge.

## The role of existing co-operatives and mutuals

The 2014-5 Federal Budget identified the need for cost saving measures in many areas of public service expenditure and the National Commission of Audit made recommendations about outsourcing some public services. The long history and track record of co-operatives and mutuals delivering social services in Australia is a compelling option when looking for innovative ways to deliver services more efficiently and build individual and community capacity.

Since the second half of the nineteenth Century Australians have been pioneering mutuals and friendly societies. Today's 'modern mutuals' have retained the philosophy of mutual social support. Co-operatives and mutuals are primary providers in key public service markets such as health insurance and they make significant contributions to service delivery where government procures services or provides support through grants. Mutuals also have a rich history of service innovation. Mutuals return all profits to members through service improvements, new products and affordability. They provide solutions in areas of public service delivery that are challenging for governments.

HCF is the largest non-profit private health insurer registered under the Private Health Insurance Act. However, HCF does more than provide health insurance, they also care for their 1.6 million members through an innovative range of health management programs and services. These are focused on what has been termed the 'Triple Aim' for health care: improving the health of all HCF members; improving the health care experience of each individual HCF member; and improving overall affordability as measured by the total cost.

Australian Unity's heritage dates back to 1840. Since then, it has been continually transforming services to members and the community as their needs have changed. For example, about eight years ago it launched a preventative health and chronic disease management business, Remedy Healthcare, which intervenes when members are hospitalised and provides evidence based (free to the member) coaching and support to assist the person to manage their disease and prevent future hospitalisations. The result is better health for the member, and reduced claims inflation for the fund as a whole. Remedy's services extend to rehabilitation in the home and are also provided to many other health funds and their members.

Australian mutuals use the insights of their members to develop new services that go beyond their historical focus.

Large membership organisations, such as those offering motoring services and providing health insurance, have established aged care services and other innovations to help their members and wider public access affordable and appropriate care.

The Royal Automobile Club of WA (RAC) formed in 1905 to represent the interests of road users, acquired retirement and aged care provider, the St Ives Group which operates throughout metropolitan and regional Western Australia, New South Wales, Queensland, Victoria, the Northern Territory and the ACT. Being consumer-directed the RAC responds to the changing needs and concerns of its members, in this case the concerns about aging well and independently.

The National Roads and Motorists' Association (NRMA) works with its 2.4 million members and with community organisations, such as the Council on the Ageing (COTA), to develop new products and services to meet their evolving needs. Health, wellbeing and ageing were the concerns raised by older members. In response, it has developed the Living Well Navigator digital platform providing information on independent living, health and wellbeing. It will offer a rating system for home, retirement villages and residential aged care services to address the information asymmetry experienced by many older Australians in accessing services.

Credit Unions and customer owned banks have a long track record of serving communities and these financial mutuals also have the potential to address 'wicked' social problems such as financial exclusion. When 34 year old Fitzroy and Carlton Community Co-operative merged with **bankmecu** in 2013, the disadvantaged communities it serves could continue to access affordable savings and loans services as an alternative to risky loans and payday lenders.

In regional Australia many communities have maintained their viability and resilience because of long established retail co-operatives. Indeed retail co-operatives, such as the Barossa Co-op, are the engine of the local economy. They generate social capital to create vibrant and sustainable communities. The McClure review of Australia's social welfare system references the role co-operatives and mutuals can play in enhancing regional areas.

***"Rather than seek to create share value for shareholders, mutuals like the NRMA aim to deliver shared value for its members and the community, this means the profits of mutuals are invested back into the community and our industry has historically done this very well in Australia,"***  
**Tony Stuart, Group CEO, NRMA**

## 6. Recommendations

This section responds to the findings of the Green Paper and consultation, presenting three key recommendations and actions to support and guide delivery. The recommendations aim to support the growth of public service delivery through co-operative and mutual arrangements.

### Recommendations to support the growth of Public Service Mutuals

1

#### Promoting a third way for delivering public services

**Increase awareness of co-operative and mutual models and promote PSMs as a third way for delivering public services**

2

#### Scaffolding to realise the potential of PSMs

**Support the development and growth of Public Service Mutuals with scaffolding activities including capacity building, expert advice, mentorship and guidance**

3

#### Creating an enabling environment for the growth of PSMs

**Develop a coalition of committed stakeholders including mutuals and co-operatives, subject experts and government to consider any potential barriers to establishing Public Service Mutuals including any legal, regulatory, policy or funding barriers, and report on the findings**

## 6.1 Promoting a third way for delivering public services

**Finding:** Public Service Mutuals have a legitimate and much needed role to play in the delivery of public services, however they are largely unrecognised. They are formed to meet the needs of members. In doing so they may address the limitations of government and market and community service sectors.

The Australian government has recognised the limitations of service delivery by government agencies. Combined with budgetary pressures, this is resulting in more delivery of public services being transferred to non-government organisations. Traditional divestment strategies have polarised in terms of privatising to profit maximising organisations and outsourcing to community service organisations.

**Governments** are required to have a clear accountability system, where there is a distinct division between those who control the agency, paid staff, and the users or clients, which combine to restrict the scope and nature of their activities.<sup>20</sup> Limitations can include missing markets or monopolising service provision leading to reduced service quality, perverse incentives in justifying costs, and short-term focus of political cycle on median voters at the expense of service recipients. Bureaucracies are best-suited to managing problems with well-defined boundaries (i.e. 'tame' problems) rather than ambiguous, complex issues that may require experimental and innovative approaches, and holistic thinking.<sup>21</sup>

**Market delivery** of public services is increasing through an ongoing process of outsourcing, privatisation and decentralisation.<sup>22</sup> This is driven by the perceived weaknesses of traditional bureaucratic models of public administration as costly, ineffective and unresponsive to consumer needs.<sup>23</sup> The belief that delivering services through competitive market mechanisms would achieve better value for money<sup>24</sup> ignores where markets fail to distribute goods and services in an efficient and equitable way. The focus on increasing returns can lead to high costs for consumers and servicing more profitable users at the expense of other consumers.

The **community service sector** is recognised as having primary responsibility for addressing the problems, which businesses and government cannot fully resolve.<sup>25</sup> Many

community service organisations, such as hospitals and social service providers with historical roots in Australian churches, have retained their traditional role in delivering public services, which are directly or indirectly funded by government.<sup>26,27</sup> The challenges of community service organisations in delivering public services include insufficient resources leading to increased potential for lower quality services, susceptibility to focus on the interest areas of donors, and tendency to take a paternalistic approach to service delivery.<sup>28</sup>

A high level and simplified analysis of these failures suggests that:

- **For-profit organisations operate where there are 'tame' problems** and potential to achieve efficiencies and market share to generate profits. Government intervenes through regulation if there is a risk of super-normal profits or poor quality, and through incentives if there are missing markets.
- **Community service sector providers operate where there are complex and 'wicked' problems** and use a range of resources to deliver services where there is market or government failure. Government intervenes through regulation to ensure that services are delivered with a minimum quality and subsidises services if there are missing markets.

Co-operatives and mutuals are able to address some of these limitations through their inherent characteristics:

- Democratic governance
- Autonomy and independence of operation
- Member economic contributions
- Re-invested profits
- Employee productivity and wellbeing
- Long-term value creation
- Co-operation

<sup>20</sup> D Billis & H Glennerster, "Human Services and the Voluntary Sector: Towards a Theory of Comparative Advantage," 1998, 79–98.

<sup>21</sup> Australian Public Service Commission, *Tackling Wicked Problems: A Public Policy Perspective*. Routledge, 2007.

<sup>22</sup> J Johnston, "The New Public Management in Australia," in *Administrative Theory & Praxis*, vol. 22, 2000, 345–368.

<sup>23</sup> R Muir & I Parker, "Many to many: How the relational state will transform public services," in *Institute of Public Policy Research*, 2014, <[http://www.ippr.org/images/media/files/publication/2014/02/Many-to-many\\_Feb2014\\_11865.pdf](http://www.ippr.org/images/media/files/publication/2014/02/Many-to-many_Feb2014_11865.pdf)>.

<sup>24</sup> K Brown, N Ryan & R Parker, "Delivery in the Public Sector: Commercialising Government Services," in *Journal of Public Sector Management*, vol. 13, 2000, 206–221.

<sup>25</sup> L Parker, "Non-Profit Prophets: Strategy in Non-Commercial Organizations," in *Australian CPA*, 1998, 50–52.

<sup>26</sup> Net Balance Research Institute, *The Role for Co-operatives and Mutuals in Delivering Australian Public Services*. 2013

<sup>27</sup> Deloitte, *Survey into the Not for Profit Sector: 2012 - Fundraising*, 2012, p. 15.

<sup>28</sup> D Billis & H Glennerster, 1998, 79–98.

The overarching comparative advantage is member control which generates the scale and nature of the benefits. High levels of engagement between consumers and employees is associated with higher levels of benefit, including better specified services, increased levels of satisfaction and increased social capital<sup>29</sup> – essential in delivering cost effective and consumer directed public services.<sup>30</sup> Higher levels of benefit are also achieved by the reinvestment of profits.

**Recommendation 1: Increase awareness of co-operative and mutual models and promote PSMs as a third way for delivering public services.**

The Business Council of Co-operatives and Mutuals (BCCM) could initiate and oversee a program of information and advocacy to respond to the lack of awareness of co-operative and mutual models and to promote the benefits of Public Service Mutuals.

The national Public Service Mutuals Task Force could be retained and expanded to co-ordinate and oversee the implementation of the recommendations.

The BCCM could engage all relevant stakeholders to support the program of awareness raising, and harness resources from partner organisations, such as Employee Ownership Australia and New Zealand (EOA).

The program could aim to inform all relevant groups and interested parties including government, the co-operative and mutual sector, community service organisations, professional services and training providers.

**Detailed actions**

**1. Develop a Public Service Mutuals Information Website Provide accessible resources that demonstrate the benefits and business case of PSMs including:**

- Pathfinder case studies of ‘exemplar’ co-operatives and mutuals that demonstrate their comparative advantage and can be used to raise awareness and support emulation.
- Living case studies which track the establishment of new PSMs, the expansion of existing PSMs, and the new public service activities of other co-operatives and mutuals.
- Shared value case studies of the commercial and social benefits created by co-operatives and mutuals.

The Website could link to the proposed National Centre for Excellence for Civil Society.

Funding will be required to support the development of case studies. This may be available through transition and development funds by state governments and the National Disability Insurance Agency (NDIA).

**2. Set up Stakeholder Networks to build sector knowledge**

- A PSM Researcher Network to undertake academic and applied research that will investigate and seek to verify the comparative advantage of Public Service Mutuals.
- An International PSM Experts Panel to capture learning from other jurisdictions including evidence of the performance of Public Service Mutuals.
- A PSM Ambassadors Program modelled on the UK Cabinet Office Mutuals Ambassadors Programme to provide fledgling and existing mutuals with the vital help of co-operative and mutual sector leaders and supporters of PSMs. The Ambassadors will promote the take up of PSMs in areas with the greatest potential such as where government has identified services for closure, privatisation or outsourcing.
- PSM Communities of Interest to connect and engage:
  - Senior public servants across all tiers of government to ensure co-operatives and mutuals are included in relevant privatising and commissioning activities.
  - Communities to raise awareness of the potential for PSMs to address community problems.
  - Existing co-operatives and mutuals considering a shared value strategy.

<sup>26</sup> Net Balance Research Institute, 2013

<sup>27</sup> Deloitte, 2012, p. 15.

<sup>28</sup> D Billis & H Glennerster, 1998, 79–98.

<sup>29</sup> Social capital is the expected collective or economic benefits derived from the co-operation between individuals and groups.

<sup>30</sup> Tuominen, T, Tuominen O, Tuominen, H & Jussila, I., “Social Capital: A source of sustained competitive advantage for consumer cooperatives” *International Business Research*, Vol 6, No. 12, 2013.

## 6.2 Scaffolding to realise the potential of PSMs

**Finding:** Specific support is required to assist the growth and development of Public Service Mutuals to deliver Australian public services. This includes capacity building, start up and working capital and mentoring and guidance.

A key learning from the United Kingdom is the link between programs of support for the establishment of Public Service Mutuals and the growth and expansion of the sector. Leadership from government with seed funding and regulation alongside collaborations with co-operative and mutual peak bodies and PSM experts providing information, guidance and case studies, were critical factors in the growth of PSMs in the United Kingdom.<sup>31</sup>

Capacity building and mentoring can assist the effective establishment of PSMs so that services can begin to deliver value to the community as quickly as possible.

There may also be challenges in accessing the working capital required to start up a PSM.

The Green Paper proposed a scaffolding approach based on supportive structures. Scaffolding encourages organisations to develop their own capacity using the available resources but also provides access to grounded expertise when faced with challenges. The involvement of all relevant groups including co-operatives and mutuals, government, not-for-profit organisations and enterprise development agencies is critical.

**Recommendation 2: Support the development and growth of Public Service Mutuals with scaffolding activities including capacity building, expert advice, mentorship and guidance.**

Activities to scaffold the development and growth of Public Service Mutuals could build on the actions to raise awareness and promote PSMs (Recommendation 1).

### 1. Develop Public Service Mutuals tool kits and resources

- Provide accessible resources, templates and 'how to' guides to support the development of PSMs. Tool kits for establishing PSMs could include Pathfinder case studies, model structures, legal and finance guides, and "business in a box" packages.
- Resources could be housed on the PSM Website and could link to the proposed National Centre for Excellence for Civil Society.

- The BCCM and Public Service Mutuals Task Force could engage relevant groups and interested parties to harness existing resources to be shared with the sector.

### 2. Establish a network of Public Service Mutual Practitioners to provide support and develop a 'community of practice'

- The 'community' could include consultants and professional advisors with expert knowledge of co-operatives and mutuals. It could engage the PSM Researchers and International Experts Panel set up under Recommendation 1.
- The PSM Ambassadors and other co-operative and mutual leaders could be engaged to provide peer networking and mentoring.
- The Community could seek to engage the resources of relevant national, state and local business development agencies such as Business Enterprise Centres and Chambers of Commerce.

### 3. Develop a Public Service Mutuals Road Map

- Engage all relevant stakeholders in policy areas with the greatest potential for PSMs and link interested parties to develop PSMs in specific policy areas.
- Develop specific Road Maps for opportunities such as the National Disability Insurance Scheme and involve key agencies such as the National Disability Insurance Agency.
- Prioritise funding to ensure the investment is directed to opportunities, which can test and demonstrate pathways for future PSM establishment and expansion.

### 4. Develop a 'Shared Value' Initiative of co-operatives and mutuals

Co-operatives and mutuals could work together to identify opportunities and new markets in public service delivery where they can co-create commercial and social value – or shared value.

- A PSM Shared Value Initiative could provide capacity building and funding support for existing co-operatives and mutuals to develop new public services.
- Ideally, such a Co-operative Shared Value Initiative would adopt a mutual model such as a 'co-operative of co-operatives' or tertiary co-operative.

<sup>31</sup> *Mutuals Taskforce, Our mutual friends: Making the Case for Public Service Mutuals. in Nursing times, , 2011, , XCV.*



## 6.3 Creating an enabling environment for the growth of PSMs

**Finding:** A supportive legal, regulatory, policy environment is needed to establish Public Service Mutuals and operate them effectively. Sources of start-up and working capital and funding mechanisms that recognise the structure of co-operatives and mutuals are also required.

The growth of Public Service Mutuals in other jurisdictions, especially the United Kingdom, has been achieved through supportive legal and regulatory systems, public policies, and funding mechanisms. Successful approaches are recognised as occurring within supportive government environments, which develop enabling frameworks for co-operatives and mutuals.<sup>32</sup> Key supports identified through a review of international practices include:

- Enabling legal and financing frameworks
- Positive approaches to commissioning and procurement
- Access to capital

The 'Right to Request' and the 'Right to Provide' policies have provided public service employees with a mandate and a mechanism to consider transitioning their services into an employee owned mutual. These policies have been complimented by a dedicated unit in the heart of central government (the Cabinet Office) and a fund to facilitate capacity building and access to professional expertise. There have also been policies encouraging communities to take over public services with similar supports.

Over the past 15 years there has been a concerted effort to update co-operative and mutual legislation and regulation and a new legal form, the Community Interest Company (CIC) was created to promote social enterprise development. It has become the preferred legal model for PSMs. Outside of government, agencies that provide advice and funding to co-operatives and mutuals and those supporting social enterprises, have further facilitated the growth of PSMs.

In the European Union, a draft resolution from the European Parliament on procurement practices has provided support for mutual arrangements through consideration of social and economic value.<sup>33</sup> The co-operative and mutual model is applied to approximately 550 schools in Spain. These have benefited from long-term thinking from the government, which provides land and contract periods of up to forty years. In Italy the growth in co-operatives and mutuals delivering social care, health, and employment services (from 650 in 1985 to over 7000 in 2011) has been supported by reduced rates of taxation. The regulatory framework to support this, defines their purpose is to "pursue the general interest of the

community in promoting human concerns and in the social integration of citizens".<sup>34</sup>

In Australia, the advent of national co-operative legislation is an important step towards an enabling legal and regulatory environment. However, existing capacity for legal advice and regulatory support is limited. The limits in current provision may be a barrier if there is significant demand for the creation of Public Service Mutuals.

A 'legal models' Working Group of the Social Innovation, Entrepreneurship and Enterprise Alliance (SIEEA)<sup>35</sup> is considering the need for a new legal form such as a Community Interest Company and how existing legal forms can be used for social enterprise development. The report from this working group could provide insights relevant to PSMs.

**Recommendation 3: Develop a coalition of committed stakeholders including mutuals and co-operatives, subject experts and government to consider any potential barriers to establishing Public Service Mutuals including legal, regulatory, policy or funding barriers, and report on the findings.**

Any push to increase the role of co-operatives and mutuals in delivering public services must start with removing potential barriers to entry. This includes innovative ways to ensure the necessary start-up and working capital is available and there is sufficient government and sector support for establishing new PSMs.

There are two areas of investigation - policy and finance.

### 1. Investigate legal, regulatory and policy issues

This White Paper recommends the BCCM work with the Public Service Mutuals Task Force and a coalition of experts, such as Employee Ownership Australia and New Zealand and the Legal Models Working Group, to investigate any barriers and actions necessary to remove these including:

- Barriers to the roll out of the National Act (Co-operatives National Law) in all states and territories.
- The existing legal and regulatory arrangements including the rationale for legal mechanisms to facilitate employee ownership of PSMs.

<sup>32</sup> J Bland, *Time to get serious: International lessons for developing public service mutuals*,

J Bland, *Time to get serious: International lessons for developing public service mutuals, Co-operatives UK, 2011*

<sup>33</sup> European Parliament, *Easier Access to Public Procurement for Small and Medium Sized Firms, 2011*.

<sup>34</sup> J Bland, 2011

<sup>35</sup> *The Social Innovation Entrepreneurship and Enterprise Alliance, "Social Enterprise Manifesto", 2014, <http://socialenterprise.org.au/>*

- The creation of a new legal form for PSMs such as the UK's Community Interest Company.
- The potential to copy or emulate policies from other jurisdictions.

Government is a key stakeholder in enabling the growth and expansion of PSMs. An investigation of barriers to entry could be undertaken in partnership with government through a broad based review. The findings of these investigations could be presented to government where there is a need for legislative or regulatory reform and policy support measures.

## **2. Investigate funding mechanisms**

This White Paper recommends the BCCM and the Public Service Mutuels Task Force investigates access to start-up and working capital suitable for co-operative and mutual structures including:

- The potential for Co-operative Capital Units (CCUs).
- The potential to access government funded business enterprise programs and social enterprise funding, such as Social Enterprise Development and Investment Funds (SEDIF) and sector development funding such as the NDIS transition funds.
- The potential for accessing mainstream capital.

## **3. Establish a Public Service Mutuels Capital Growth Fund**

The co-operative and mutual sector is a key stakeholder in enabling the growth and expansion of PSMs. A Capital Growth Fund could be capitalised through support from existing co-operatives and mutuals including the customer owned banking sector and member owned superannuation funds. The Fund could address the current lack of start-up or working capital grants, capital investment and revolving loans.

## 7. A national strategy for the growth of Public Service Mutuals

This White Paper calls for a new dimension to the reform of public services in Australia, which could play a significant role in meeting the growing needs of society more efficiently and effectively. Public Service Mutuals provide an alternative and innovative third way for delivering public services. As with any new approach, the success of PSMs depends as much on the technical skills, structures, governance, and financial support available, as it does on the willingness to embrace systemic change in the pursuit of a greater good.

This leadership could be expressed through the development and implementation of a national strategy for the growth of PSMs. This strategy would provide a mechanism to identify opportunities and to prioritise them for action. This would constitute a road map for investing in the growth of PSMs.

The strategy could engage a range of interested parties and seek to harness their resources. The Business Council of Co-operatives and Mutuals and the Public Service Mutuals Task Force could be tasked with overseeing the development and implementation of this strategy. However, the capacity of the Task Force would need to expand to achieve this. This could include the appointment of mutual ambassadors drawn from the strong cohort of leaders of existing co-operatives and mutuals. PSM Ambassadors, with the support of their organisations, together with professional advisors, consultants and experts, would be vital in providing the scaffolding activities recommended in this White Paper.

The recommendations relating to the reform in the legal, regulatory, policy and funding environment require an active role for the apparatus of government especially at federal and state levels. It is envisaged that the proposed community of practice could provide a vehicle for engaging public servants in the national strategy.

The most important stakeholders for the strategy are the individuals, communities, employees, community service organisations, and enterprises for whom co-operatives and mutuals provide a way of addressing a problem or exploiting an opportunity. Across all these groups there will be a large amount of co-operative entrepreneurship – and indeed co-operative ‘intrapreneurship’ – that will need support to transform ideas into action and ultimately to provide a better future for the participants, clients, beneficiaries and employees of public services.

The development and expansion of PSMs has untapped potential to benefit all Australians. The mutual ethos and participatory models of co-operatives and mutuals, which allow people to share responsibility for meeting their common needs, will help to build a stronger civil society – this is a nation building project from the ground up, by citizens for citizens.

## Appendix A: The Public Service Mutuals Task Force Members

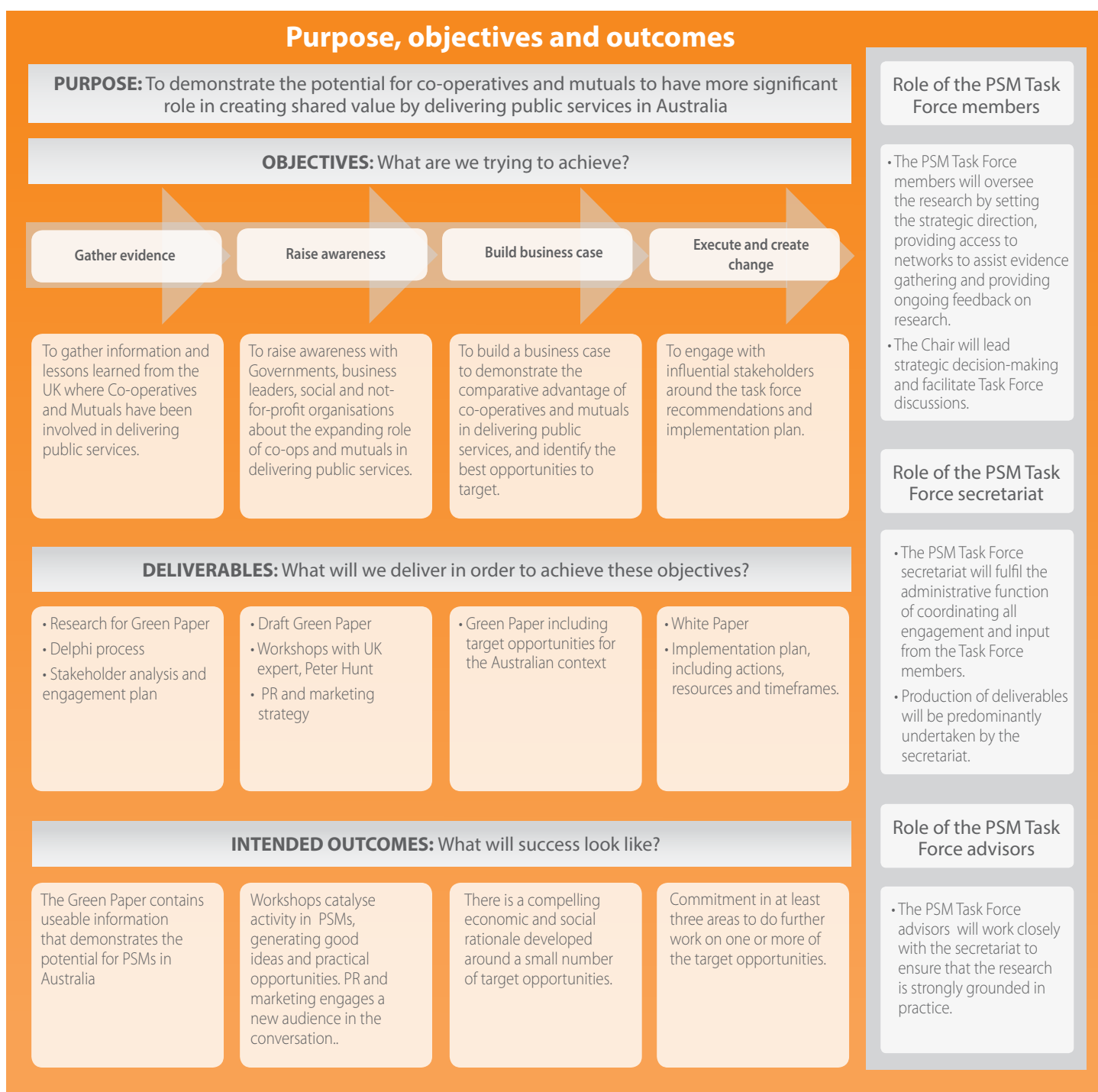
Name	Organisation & Role
<b>Chair</b>	
Gillian McFee	Chair of PSM Task Force, Strategic Adviser to NRMA, Former Director UnitingCare Ageing NSW/ACT
<b>Members</b>	
Rowan Dowland	bankmecu – General Manager Development
Melina Morrison	Business Council of Co-operatives and Mutuals – CEO
Angela Perry	Employee Ownership Australia Ltd – Chair
John McInerney	Common Equity Housing Ltd (CEHL) – Former Managing Director, BCCM Director
Kimina Lyall	Australian Unity – Group Executive Corporate Development
Patrick Walker	Royal Automobile Club of WA (RAC) – Executive General Manager, Advocacy and Member Benefits
Sheena Jack	HCF - Chief Strategy Officer
<b>Advisors to the Task Force</b>	
Gordon Duff	National Disability Services (NDS) – Executive Officer, National Policy Research Unit
Robyn Kaczmarek	Co-operative Home Care – Coordinator (founder)
Michael Pilbrow	National Health Co-operative – Director (founding Chairman)
Morrie O'Connor	Nundah Community Enterprise Co-operative – President
<b>Secretariat</b>	
Les Hems	Net Balance Research Institute – Director
Melinda Leth	Net Balance Research Institute – Senior Associate
Erica Olesson	Net Balance Research Institute – Associate
Alan Greig	Employee Ownership Australia and Social Business Australia – Board member

## Appendix B: Australian Public Service Mutuals Task Force Terms of Reference

In 2013 the Business Council of Co-operatives and Mutuals (BCCM) and **bankmecu** commissioned the Net Balance Research Institute to prepare a report exploring the potential roles for co-operatives and mutuals in delivering Australian public services. This report recommended the establishment of a Public Service Mutual Task Force to oversee the development of:

- A Green Paper to evidence the business case for co-operatives and mutuals delivering public services in Australia
- A White Paper with recommendations for implementation.

The following diagram outlines the purpose, objectives, deliverables and outcomes for the Public Service Mutual Task Force.



## Appendix C: Summary Table of Australian Case Studies in the Green Paper

Name	State	Business Structure	Policy area	Purpose
Dandenong and District Aborigines Co-operative Ltd	VIC	Community-owned co-operative	Health, Families and children, Housing support, Communities & Vulnerable People	To provide professional services to foster and support positive and fulfilling lifestyles for individuals and families within their Aboriginal community.
Ethnic Child Care, Family and Community Services Co-operative	NSW	Community-owned co-operative	Education, Settlement & Multicultural Affairs	To ensure people from Culturally and Linguistically Diverse (CALD) backgrounds have the opportunity to participate and receive services relevant, sensitive and appropriate to their linguistic, cultural, religious and lifestyle needs
bankmecu (and Fitzroy and Carlton Community Credit Co-operative)	VIC	Customer-owned bank	Financial inclusion	bankmecu is inspired to enhance the financial wellbeing of its customers in responsible ways. It provides its customers with value for money, responsible banking, insurance and financial planning solutions, as well as high value, customer service in a profitable and sustainable way
Community Child Care Co-operative Ltd	NSW	Producer co-operative	Education	To inform and inspire early education and care services, and influence government policy, practises and programs so that children within NSW have access to quality education and care services that meet the needs of their communities
National Health Co-operative	ACT	Consumer-owned co-operative	Health	To operate an affordable, community-owned health centre providing a range of quality health and related community services
Nundah Community Enterprise Co-operative	QLD	Employee owned co-operative	Disability employment	To provide long-term, sustainable employment for people with intellectual and cognitive disabilities
Co-operative Home Care	NSW	Employee owned co-operative	Ageing & aged care	To provide home support services to assist elderly people and the disabled to live independent, healthy lives; and to improve the quality of employment for the members.
Royal Automobile Club of Western Australia and St Ives Group	WA and National (Aged Care Services)	Member-owned mutual	Ageing & aged care	To protect and enhance the lifestyle of its members (services include roadside assistance, insurance, retirement and aged care)
Common Equity Housing Limited	VIC	Consumer and enterprise co-operative	Housing support	To be a successful promoter and facilitator of secure, affordable co-operative housing, where there are real opportunities for member participation
Independent Youth Housing Group	QLD	Non-profit member owned housing group	Housing support	To ensure the housing security of its members.
Australian Unity	National	Member mutual company	Ageing & aged care	To enable its members to achieve a sense of well-being through the provision of high trust products and services (including health and ageing services)



## Public Service Mutuels:

A third way for delivering public services in Australia

WHITE PAPER



**BUSINESS COUNCIL**  
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