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

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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.

Harmony Village, Common Equity Housing Ltd

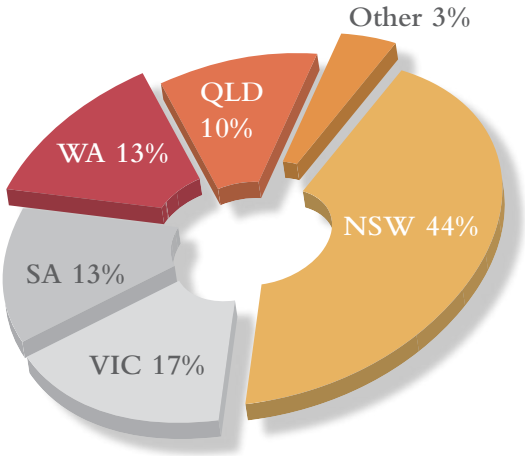
Co-operatives and mutuals are big business

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

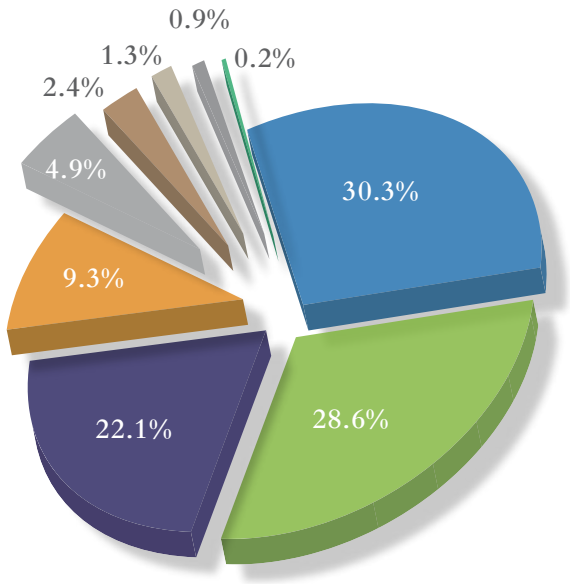
As co-operatives and mutuals serve their members by delivering on their core purpose, they provide value to the economy and society as a whole. The next section shows how our country can benefit from a successful co-operative and mutual sector.

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

CBH GROUP
AgraCorp

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

nd 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 mutuals are suitably qualified, trained and supported in their role interacting with 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

e the public interest

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.

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