



Australian Centre for Co-operative Business Growth program – Thriving Regions: 2022–23 Pre-Budget Submission

Covid Recovery Acceleration in the Regions

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1. Executive summary

The experience of the COVID-19 pandemic has highlighted the adaptability of Australians and Australian business to crisis and disruption. Australia has proven to be a largely resilient nation. The pandemic has also highlighted some vulnerabilities as a nation. Weaknesses in supply chains and gaps in local manufacturing especially have stymied our capacity to respond efficiently and quickly and to build back better.

The Australian economy is characterised by a relative lack of corporate diversity – a preponderance of small and micro firms on the one hand¹ and large, multinational firms concentrating ownership in key markets like banking and retail, on the other. There are things we can do relatively quickly to address the systemic weakness of the Australian economy.

Many countries benefit from a strong and growing mid-sized business sector². Mid-sized businesses are seen as significant engines of economic growth, domestically owned and controlled, and benefitting local economies. Internationally, these medium-sized businesses concentrate on advanced manufacturing, creating high quality jobs and export earnings.

Australia needs to retain and grow its mid-sized business sector, particularly in value added manufacturing. Co-operative business is key to the effort to grow a successful, sustainable and domestically owned manufacturing sector. This can be achieved by assisting small producers to work together to grow existing medium-sized firms and create new ones.

Businesses and communities can work together to develop and operate the critical infrastructure and services that support regional communities and the regional manufacturing base.

Government can act to leverage co-operatives to boost small and medium sized business competitiveness:

- Building regional clusters for economic development around groups of strong co-operatives and mutuals.
- Growing medium and larger-sized co-operative firms, particularly in manufacturing and finance.
- Assisting SMEs to be more profitable and competitive through existing and new co-operatives.
- Facilitating access to investment finance.

By assisting co-operatives and mutuals to achieve these objectives, the Government will deliver the following benefits for Australia:

- Australian owned manufacturing business will grow.

¹ Australia's small and medium sized business sector is characterised by a much larger proportion of micro-enterprises than many other countries.

² In Australia, the ABS defines such firms as those with 20-199 employees.

- Communities will gain control of critical infrastructure and assets that enable successful regional businesses.
- Larger and more profitable co-operatives will create new, high-quality jobs in the regions.
- Independent small businesses will be helped to secure local ownership, competition and choice.
- Tax revenues and export earnings will increase.³

Australia can aspire to the example of Germany's mid-sized business sector, the 'Mittelstand'. An Australian version of the successful co-operative business clusters in Spain's Basque Region and Italy's Emilia Romagna could provide a rapid boost to regional economic growth and prevent leakage of value out of these communities.

2. The opportunity: Government and industry partnership for regionalisation and growth

The Australian Centre for Co-operative Business Growth is a partnership between Government and industry, through its peak body, the Business Council of Co-operatives and Mutuals, to facilitate collaboration between independent small and medium businesses to increase their productivity, profitability, their capacity to add value and export.

In 2020–21, with a \$2.5m grant from the Commonwealth Government funded through the Department for Agriculture, Water and Environment, the BCCM ran an education and information program (Co-operative Farming) for farmers, fishers and foresters to support business growth for new and existing agricultural co-operatives.⁴

At a time of unprecedented crisis for businesses and communities, Co-operative Farming helped Australian farmers to scale their entrepreneurial skills and know-how, combine their investment and tap into new markets to start businesses and sustain and grow existing ones. The program helped business owners and communities to respond rapidly and effectively to the hyper disruption of the pandemic such as the closure of borders and loss of export markets as well as the devastation of recent natural disasters.

This submission for the "Thriving Regions" program builds on the success of Co-operative Farming to include people living and working in regional and rural centres and small and medium regional businesses.

Throughout the pandemic, traditionally structured firms were seen to be not as well suited to reacting to regional challenges quickly. Whereas co-operatives being locally owned and managed have demonstrated locally informed, fast responses.

Co-operatives are under-utilised as an economic development strategy to support communities and business owners in the regions to pool their resources, knowledge and market access through joint business activities and community owned assets. Working together in co-operatives, individuals and SMEs

³ See BCCM's Policy Blueprint, included as an appendix to this submission.

⁴ See the Co-operative Farming Program Overview, included as an appendix to this submission.

can accelerate expansion, strengthen sovereign capacity in regional supply chains and contribute to local economic recovery. Co-operatives can play a key role in unlocking investment into regional Australia and create sustainable employment and the infrastructure, services and economies that support growing populations.

Co-operatives already support growth and resilience in the regions including food and beverage manufacturing, renewable energy, retail, banking, housing and community services. The opportunity for Government and the co-operative sector to work together leveraging the potential of regionalisation to deliver for all is unparalleled.

Thriving Regions is a three-year program at a cost of \$6 million to accelerate, promote and expand regional capacity, jobs and economic growth through a regional co-operative business growth program.

The project will deliver education, information and business capability to facilitate community ownership, incubate new co-operatives, attract investment and build on the experience of existing, successful collaborations across a range of established and emerging regional industries.

Support for co-operatives will stimulate local innovation and encourage community solutions to regional problems such as population influx pressures. It will also help build the resilience communities need to face future challenges like natural disasters.

The Thriving Regions program builds on the BCCM's established track record delivering consistent, world leading business services to support co-operative education and business development nationwide. The BCCM has developed a program across six areas of ecosystem support and capacity building focused on self-help:

1. Business development support including legal and financial advice that is knowledgeable about co-operative models.
2. Access to start-up and growth capital through investment advice and 'co-op friendly' financial institutions, mutual banks and foundations.
3. Education, training and information resources developed by and for industry.
4. Access to peer support and mentorship from established and successful co-ops and mutuals.
5. Enabling policy to support co-operatives and mutuals.
6. Connectivity through networking and shared technology to reduce the friction and cost of establishing new co-operative businesses.

Australian Centre for Co-operative Business Growth: The BCCM's proven ecosystem and capacity building model

A co-operative is a jointly owned and democratically governed business set up by individuals or small business owners to meet a common purpose such as the desire to scale whilst retaining independence or to own and control a supply chain. By working together in a co-operative, smaller businesses can access new markets and economies of scale, otherwise only available to larger firms.⁵

In 2020–21, the BCCM's Co-operative Farming program delivered education, training, business advice, and mentorship to farmers, fishers and foresters across Australia to start and run collaborative businesses. In just 18 months during the height of the pandemic, the program enabled **new business investment**, **new industries** and **new business owners**.



Throughout the Co-operative Farming program, the BCCM supported a range of independent primary production businesses to work together to grow their businesses including:

- Specialist education and mentoring for a new grower-owned co-operative that has entered into a potential \$250 million joint venture with Macquarie Capital.
- Education on governance and legal structures to assist a group of Aboriginal Corporations to move towards formation of an independent, financially sustainable agricultural marketing co-operative.
- Education on capital raising options for a dairy co-operative to assist with planning for a manufacturing expansion.
- Workshops with a group of fishers to catalyse the purchase of a processing facility and first steps in formation of a co-operative to secure a viable supply chain for independent fishers.

⁵ For example, see the new supply agreement secured by Mountain Milk Co-op for the benefit of its family farming members: [Mountain Milk Co-op announces milk supply agreement with the Milawa Cheese Company](#)

3. Thriving Regions – regionalisation through community ownership

Thriving Regions is a three-year program to reinvest the economic and social value generated by regionalisation and from people and businesses moving to the regions as a result of the pandemic, *for the benefit of the regions where that growth is taking place.*

Traditional business development strategies often fail to leverage the advantages of local economic development for the long-term benefit of regional Australia, because the owners of business networks or investors are located elsewhere. Co-operatives recycle value within regions at a significantly higher rate. This high local multiplier effect amplifies stimulus efforts.⁶

The success of the program is measured by how much economic value sticks to the regional economy. Community ownership models will also help regional centres to scale sustainably to respond to population influx and competition for limited resources such as housing and health services.

Thriving Regions builds on policy and legislative reforms championed by the Coalition Government that have improved the operating environment for Australian co-operatives including access to investment capital from external markets whilst retaining local control and ownership of the underlying assets. Thus, preventing the leakage of profits and value from the regional economy.

4. Thriving Regions program streams overview

Thriving Regions has three local economic development (LED) activation streams:

1. Co-operative Business Networks

Education, information and advice for communities to set up co-operatively owned business networks which are self-sustaining and self-funded for the long term. The business case is built from communities and business owners working together to identify shared needs and opportunities such as regional brands, destination tourism, workforce strategies, and regional export and marketing campaigns.

2. Co-operative Investment Offers

This stream focuses on the activation of pooled capital investment (using securities such as Co-operative Capital Units, Mutual Capital Instruments, co-operative debentures and loans).

⁶ An EY study, [Sticky Money](#), found that for every dollar spent at The Barossa Co-op's supermarket, an additional 76 cents of value circulated in the local economy.

Importantly, accessing capital through these instruments ensures that capital attracted into a region sticks to the local economy for region-wide economic benefit.

3. Co-operative Community Assets

This stream focuses on community ownership of shared assets and strategies for long term resilience. Communities are assisted to form co-operatives to jointly own physical assets such as telecommunications infrastructure, water assets or disaster centres, retain or build local essential services (retail, banking) or to co-design and own disaster recovery strategies such as mental health programs and community networks.

3-4 prototype “Thriving Regions” are envisaged over three years, able to share their development template with other regions. The program builds on the successful model of the Co-operative Farming program with some co-investment from those accessing the program as ‘buy-in’ and pro-bono contributions from the co-op and mutual sector (the industry).

Features of the BCCM’s program delivery:

- Leveraging legacy assets such as the [regulatory technology](#) and self-paced co-op [online education](#) and training developed under previously funded programs.
- Brokering business relationships and [mentorship](#) from co-op leaders in the wider co-operative and mutual sector.
- Proven successful models and [case studies](#) to inspire and emulate.

The Thriving Regions program will provide:

- Program research, communications, and business engagement services across each of the three workstreams.
- Access to an industry-managed Co-operative Development Fund to provide grants to assist the business start-up costs for co-operative businesses with a feasible business plan for an innovative idea to solve a regional community need. The industry will invest in the fund and provide the business incubation model. The Fund has already attracted initial sector investment of \$300,000 from BCCM members.

The Program budget (below) covers:

- Regional workshops and business incubation
- Business, legal and governance advisory
- Education bursaries to ensure equitable participation
- Communications and promotional collateral inc. case studies
- Launches and regional events and conferences
- Program research and evaluation

Thriving Regions Co-operative Case Studies

Co-operative business networks:

HunterNet Co-op

HunterNet Co-op is one of Australia's most successful examples of an industry cluster that networks small and medium enterprises.

The co-op structure is the secret sauce underlying HunterNet's success because the model is based on member 'skin in the game', financial sustainability and reciprocity. Members benefit from access to group training, networking, advocacy support and joint bidding on contracts that are too large for any single SME.

Since forming around the time of BHP's departure from Newcastle and a period of significant economic restructuring, HunterNet has grown to represent 200 member businesses with a combined 70,000 employees in a range of manufacturing, engineering and defence industries. The network has combined revenue of more than **\$80 billion**.

HunterNet has played a significant role in the retention of Newcastle's manufacturing base and is a model for SME collaboration across regional Australia.

Support for member engagement, business planning and structuring can support more regions to build sustainable co-op industry clusters.



Co-operative investment offers: Fleurieu Community Co-op

A co-op has been formed on the Fleurieu Peninsula of South Australia to re-open a mothballed local abattoir. Unlike traditional agricultural co-ops, the co-op will be owned jointly by workers, wholesale/retail customers and primary producers.

The co-op is seeking to raise \$1.2 million from members using Co-operative Capital Units to re-open the abattoir and build a true 'paddock to plate' brand for local producers and businesses backed by digital provenance tracing processes.

The BCCM helped FCC navigate the steps for planning its Co-operative Capital Unit investment offer. More regional co-ops can generate private investment with access to the right technical support and business advice.



Co-operative community assets: Heritage Bank Community Branches

Since the late 1990s, Toowoomba-based mutual Heritage Bank has promoted the development of seven new community-owned bank branches through partnerships with regional towns.

In this model, Heritage forms a joint venture with a local community-owned entity capitalised by investors from the immediate area. The community receives a full mutual personal and business banking service and, in addition, a share of any profits. These profits can be put towards further regional economic and social development opportunities, such as investment in conservation reserves or independent living developments.

Seed funding and access to industry networks can accelerate more community-owned and led solutions in partnership with the established mutual banking sector to address the challenge of closing branches and maintenance of town amenities.

Heritage Bank
People first.

5. Budget and Co-investment

The indicative budget to deliver the Thriving Regions program is \$2m per year for three years. Three years provides a timeline to effectively engage regions seeking to build on and scale growth taking them on a roadmap from exploration and community engagement through business feasibility, start-up and early-stage growth.

Industry will contribute through the BCCM's Co-operative Development Fund launched in 2022 to provide grants to assist the business start-up costs for co-operatives with a proven business case for an innovative idea to solve a regional community need. The Fund has already attracted initial sector investment of \$300,000 from BCCM members.

To help new co-operatives formed through the program to raise investment, the BCCM has successfully advocated for changes to the Corporations Act for co-operative and mutual companies to raise growth capital known as [Mutual Capital Instruments](#). Australia's oldest wellbeing mutual, Australian Unity has [raised \\$350m](#) in two tranches of Mutual Capital Instruments for investment in health and aged care.

The BCCM has developed regulatory technology (the [Co-operative Capital Builder](#)) to enable co-operative entrepreneurs to raise capital from members and the wider community using Co-operative Capital Units (CCUs), debentures or other hybrid co-operative securities. The BCCM has also worked with a [digital share registry platform](#) to provide co-operative capital raising and member relations technology solutions.

Work stream	Year 1	Year 2	Year 3	TOTAL
1. Co-operative Business Networks	\$600k	\$600k	\$600k	\$1.8m
2. Co-operative Investment Offers	\$450k	\$450k	\$450k	\$1.35m
3. Co-operative Community Assets	\$450k	\$450k	\$450k	\$1.35m
Co-ordination of Program Research, Communications and Engagement	\$500k	\$500k	\$500k	\$1.5m
Indicative total cost	\$2 million	\$2 million	\$2 million	\$6 million

6. About the BCCM

The BCCM is the voice of Australia's co-operative, mutual and member owned enterprises and provides the latest research on the economic and social contribution of this sector in the Australian economy. In the [2021 National Mutual Economy Report](#) there were 2,031 active CMEs in Australia with the combined total revenue of the top 100 CMEs at \$35.3b (excluding superannuation funds).

The BCCM's membership operate in all sectors in the Australian economy, creating opportunities to explore partnerships around mutual benefits. In 2020 the BCCM published the [Leading the Resilience Report](#) which used qualitative research methods to show that CMEs are resilient organisations, outliving their ASX listed counterparts with a focus on fulfilling their purpose over the long term through sustainable growth and a member-first mentality.

The BCCM formed in 2013 following the UN International Year of Co-operatives. The early focus of the BCCM was to increase awareness about co-operatives and mutuals across all areas of the economy. In 2016, A Mutuals Task Force was formed with a focus on how to grow the number of co-operatives and mutuals in health, social and community services. The BCCM was invited to deliver workshops to Government agencies, co-designing some new co-operatives with interested people and organisations. In 2017, the BCCM was engaged by the National Disability Insurance Agency to support 90+ allied health workers 'spin out' of government to form Australia's first employee-owned mutual to form from a public agency.

The BCCM has supported new co-operatives and mutuals to form in a range of sectors and is a member of the International Co-operative Alliance (ICA) with access to world-wide networks.

In 2020-21 the BCCM ran a program (like that proposed for Thriving Regions) for the Australian Government to support the growth and sustainability of farming co-operatives through the [Co-operative Farming Program](#).

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7. Appendices

Submitted as separate documents:

- Appendix one: Co-operative Farming Program Overview
- Appendix two: BCCM Policy Blueprint

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