

**Submission  
No 232**

## **SUSTAINABILITY OF ENERGY SUPPLY AND RESOURCES IN NSW**

**Organisation:** Business Council of Co-Operatives and Mutuals

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

# Sustainability of Energy Supply and Resources in NSW

Submission to the Legislative Assembly Committee on  
Environment and Planning

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## About the BCCM

Formed in 2013 following the United Nations International Year of Co-operatives, the Business Council of Co-operatives and Mutuals (BCCM) is the peak body for Australian co-operatives, mutuals and member-owned enterprises. The BCCM represents a diverse range of enterprises operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into Cooperative, mutual and member-owned firms, and implementation of the Hammond Review recommendations to improve access to capital for CMEs. The Hammond Review recommendations were implemented in April 2019, with the passing of the Treasury Laws Amendment (Mutual Reforms) Act 2019.

# 1 Overview

The Business Council of Co-operatives and Mutuals (BCCM) is pleased to make this submission to the Legislative Assembly Environment and Planning Committee inquiry into Sustainability of Energy Supply and Resources in NSW on behalf of the co-operative and mutual sector.

Our submission highlights the role co-operatives have played, and will play, in sustainable economic development that will underpin any shift to renewable energy. It is primarily a response to Term of Reference 5: *Opportunities to support sustainable economic development in regional and other communities likely to be affected by changing energy and resource markets, including the role of government policies.*

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia. It is a member driven and funded organisation representing CMEs operating in all industries and regions of Australia. There are more than 2,000 CMEs in Australia. The top 100 CMEs have a combined turnover of more than \$30bn (National Mutual Economy Report 2018).

Our members operating in New South Wales include:

- major farmer owned co-operatives such as the Northern Co-operative Meat Company, Yenda Producers Co-operative and Almondco Australia,
- purchasing co-operatives for independent businesses with members in regional and metropolitan areas such as Independent Liquor Group, Go Vita and Capricorn Society,
- the NRMA,
- the Common Equity NSW group of affordable rental housing co-operatives, and
- mutual banking, insurance and financial service providers such as HCF, Regional Australia Bank, Teachers Mutual Bank and StateCover Mutual.

In 2018, the theme of International Day of Co-operatives was ‘sustainable societies through cooperation’, recognising sustainable production and consumption as core to what co-operatives do. The BCCM submission draws attention to the contribution of co-operative enterprise to community-led sustainable economic development and makes recommendations on how government can improve the operating environment for these businesses.

This submission is divided into two parts:

- How co-operatives contribute to sustainable economic development
- The role of government policies to support sustainable economic development

The BCCM is able to provide further information on each of the matters raised in its submission, or more information regarding the co-operatives mentioned in our submission, should this be required.

## 2 How co-operatives contribute to sustainable economic development

Co-operatives are corporate entities that are built on principles of self-help, sustainability and democracy. Co-operative enterprises build upon and foster the economic and social capital of communities, better enabling them to manage economic and environmental transition.

New South Wales has a proud history of a strong and diverse co-operative movement. It is home to longstanding agricultural co-operatives such as the Northern Co-operative Meat Company that are the major employers in their region and innovative renewable energy co-operatives such as Pingala and Goulburn Renewable Energy Co-operative.

There are approximately 600 co-operatives in New South Wales.

### a) Co-operatives encourage sustainable production and consumption of goods and services

The co-operative structure encourages sustainable provision of goods and services:

- Because they are owned by local people or businesses and the co-operative enterprise exists to provide them a service, co-operatives don't move essential services and employment out of town based on profitability alone
- Co-operatives have a 'sticky money' effect in local economies – for every \$1 spent at a regional retail co-op, 76c of value is created in the local economy
- Co-operatives distribute benefits equitably to members based on level of use of the co-operative's services, not shareholding
- Co-operatives put large proportions of surplus revenue toward community and charitable activities
- Co-operatives are open membership organisations that give big and small players a fair go
- Co-operatives can enhance the competitiveness of local small businesses, including increasing bargaining power and opening up export markets, as noted in the Harper Review of Competition Policy

### b) Co-operatives create decent work

Co-operatives are globally-recognised vehicles for creating decent work. The livelihoods of 279 million people are secured through employment in or within the scope of a co-operative, the majority being self-employed producers in the agricultural sector.

The International Labor Organization (ILO) recognises the contribution of co-operatives to decent work, including through its recommendation on the promotion of co-operatives, its longstanding co-operatives unit and the renewal of its partnership with the International Co-operative Alliance earlier this year.

Co-operatives in the Northern Rivers region of New South Wales have a turnover of \$1.1bn, create more than 2,000 direct jobs, and support sustainability (and indirect employment) in over 1000 primary production businesses. Norco Co-operative, headquartered in Lismore, was

one of the first employers in Australia to introduce paid domestic violence leave. An infographic about co-operatives in the Northern Rivers is attached.

Co-operatives played an important role in protecting jobs and the viability of small and medium manufacturing and engineering businesses during economic restructuring in the Hunter Valley in the 1980s and 1990s. The community took action to achieve these outcomes through the formation of HunterNet Co-operative and Labour Co-operative.

### **c) Co-operatives harness community know-how and capital**

Co-operatives are the original crowdfunding mechanism, allowing a group of people or businesses to leverage their capital, knowledge and resources for collective benefit.

The international co-operative principles dictate that these enterprises retain a capital core to ensure longevity and support for generations of members. Co-operative boards are guided by this principle and the principle of open membership that supports their growth. Membership of a co-operative is open to all new entrants that are willing to collaborate within the co-operative model.

Co-operatives are corporations with power to raise capital from their members and from the public. The unique nature of co-operative shares and the co-operative principles, however, ensure that democratic control remains with members who actively use their co-operative's services. The benefits of any capital reward, as well as access to services, remains with members.

As a corporate structure representing the power of many members, co-operatives are well placed to negotiate financial accommodation from commercial banks, particularly mutual financial enterprises that share the same co-operative principles.

### **d) Co-operatives provide social license for innovation**

As community-owned and controlled enterprises, co-operatives give communities agency to respond to change. They provide a social license for innovation such as the development of renewable energy infrastructure. Recently Community Energy 4 Goulburn announced it was forming a co-operative to undertake the development of a 1.2 MW solar farm in Goulburn, with John Hewson AM to join the board.

There are extensive benefits to transitioning to renewable energy *with* communities rather than implementing the transition *for* communities. For example, community acceptance of wind farms "has been shown to increase when there are clear benefits flowing back to the local community, changing the common objection of 'big business' invading landscapes for profit at local people's expense".<sup>1</sup> Wind energy's general acceptance in Denmark and Germany has often been attributed to the distribution of wind farm ownership across hundreds of thousands of individual participants, often through co-operatives.

Wind power supplies almost 20% of Denmark's energy, of which 80% of the turbines are owned

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<sup>1</sup> Hicks, Jarra and Nicky Ison, "Community-owned renewable energy (CRE): opportunities for rural Australia." *Rural Society*, vol. 20, no. 3, 2011, p.244.

by households and communities. Similar developments have occurred in Minnesota in the USA – since co-operative ownership of wind energy was introduced, Minnesota has become one of the country's top wind energy producers.<sup>2</sup>

### 3 The role of government policies to support sustainable economic development

The BCCM agrees with the assertions of Term of Reference 5 that sustainable economic development will underpin the resilience and capacity of communities affected by changing energy and resources supply.

To foster sustainable economic development, communities need an enabling environment for business innovation and community investment, including through co-operative enterprise.

The report of the Senate Economics References Committee inquiry into cooperatives, mutuals and member-owned firms outlined the barriers to the formation and growth of co-operatives in Australia. At a high level, the issues the report noted were:

- Lack of recognition of the co-operative sector and model in policymaking
- Lack of knowledge among business advisors, and absence from business education (e.g. for lawyers, accountants)
- The legislative and regulatory environment for co-operatives is not competitively neutral with other business structures

Based on ILO Recommendation 193 the following sets out principles for how Government should work with the co-operative sector to provide an enabling operating environment:

- 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.
- 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 following three recommendations outline priority actions for putting ILO Recommendation 193 into practice in New South Wales.

#### **BCCM recommends that:**

##### **1. The New South Wales Government streamline co-operatives regulation in the state**

The commencement of the Co-operatives National Law (CNL) from 2014 onwards has modernised co-operatives regulation in New South Wales. CNL is now operation in all

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<sup>2</sup> *Ibid.*

jurisdictions except Queensland, where amendments to align with CNL are currently under consideration.

CNL allows for cross-border trading without dual regulation of co-operatives, as had previously arisen. It reduced the administrative burden on small co-operatives by introducing 'small co-operative' and 'large co-operative' categories. The CNL also introduced flexible new Co-operative Capital Units that can facilitate public investment in co-operatives without the loss of co-operative purpose and member ownership.

Despite these positive steps to remove regulatory barriers and improve access to capital for co-operatives, there are a number of regulatory barriers that are hindering the formation and growth of co-operatives in New South Wales, including:

- Uncertainty about the role of co-operative registries and ASIC in relation to public and cross-border offers of securities by co-operatives. Uncertainty about dual regulation undermines the confidence of co-operatives to raise capital. *Co-operative registries, including New South Wales, should confer with ASIC to clarify the matter.*
- Co-operative registry processes in New South Wales require paper or email lodgment. *New South Wales should take steps to modernise these processes. The BCCM welcomed the election commitment of the NSW Coalition to refer co-operative registry functions to the Commonwealth Registrar proposed by the Commonwealth's Modernising Business Registers programme.*
- Dual regulation for New South Wales co-operatives trading (including seeking investment) in Queensland.

The BCCM suggests that New South Wales raise these matters at the next COAG Consumer Affairs meeting.

## **2. The New South Wales Government foster community investment in renewable energy through co-operatives**

Co-operatives have a track record of allowing communities to responsibly invest in their own sustainable infrastructure, as evidenced by Hepburn Wind and Community Energy 4 Goulburn.

They are the original crowdfunding vehicle, providing democratic control, open membership and the ability to use debt or equity instruments to raise capital from members or the public.

However, there is a lack of knowledge in the community about using the capital raising mechanisms available to co-operatives including Co-operative Capital Units. The BCCM suggests a one-off support for the development of a co-operative crowdfunding platform, developed with the co-operative and mutual sector, that can support community capital raising using co-operative shares, debentures and Co-operative Capital Units. These instruments may be open to impact investors. The platform should be self-funding within three years.

## **3. The New South Wales Government ensure co-operatives are recognised in all government business programmes and websites**

The BCCM recommends an audit of government business support services and websites to make sure co-operatives are appropriately included wherever information about business legal



models and business formation is provided. This includes ensuring the co-operatives website hosted by Fair Trading provides adequate information and guidance for co-operatives, including about capital raising and disclosure requirements.

The BCCM recommends an audit of all government-funded business centres to ascertain the level of expertise in relation to co-operatives. Where there is a lack of expertise, those agencies should engage the BCCM to arrange training and the development of appropriate information and resources. Expertise should extend to capital raising for co-operatives using shares, debentures and Co-operative Capital Units.

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**100% FARMER-OWNED CO-OPERATIVES  
AND MEMBER-OWNED MUTUALS**



The Cooperatives Alliance (CA) is an association of Northern Rivers co-operatives and mutuals operating in agribusiness, fisheries and financial services.

Together, the CA powers the Northern Rivers economy through:

1. Providing good quality employment and supporting the sustainability of local businesses.
2. Donations and support for community organisations and initiatives.
3. A commitment to quality products and business innovation.

The CA is united to raise awareness of the contribution of local co-ops to the economy and to provide leadership in economic and community development in the Northern Rivers.



**PRIORITIES FOR REGIONAL DEVELOPMENT:**

1. Improvement of transport infrastructure.
2. Appropriate environmental management and planning laws and policies.
3. Reduce regional business energy costs, including through co-investment in renewable energy.
4. Government support for the growth of regional businesses.
5. Government recognition and parity of treatment for co-operative and mutual enterprises.
6. Promotion of the Northern Rivers as a food hub.



**MEMBERS:**

