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## **Session Notes**

(Read in conjunction with PowerPoint Presentation slides)

### **“Innovative Partnerships through Cooperatives”**

Presented by Peter Tregilgas

Chair, Mercury Centre Co-operative Ltd

for the

Innovative Partnerships and Social Investment Forum in Western Sydney

Wed 17 Feb 2016



[peter.tregilgas@mercury.org.au](mailto:peter.tregilgas@mercury.org.au)

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**Slide 1. Introduction**

**Thank you:**

**Title: “Innovative Partnerships through Cooperatives”**

Presented by Peter Tregilgas, Chair, Mercury Centre Co-operative Ltd for

Innovative Partnerships and Social Investment Forum in Western Sydney - Wed 17 Feb 2016

**Welcome:**

**Acknowledge:**

**1. Indigenous Acknowledgement**

I would like to acknowledge the “Darug” people the traditional custodians of this land. I would also like to pay respect to the elders past and present and extend that respect to any other Aboriginal or Torres Strait Islander people present

2. Also Western Sydney Community Forum, and Parramatta Council for generating this innovative and collaborative event.

Brief introduction to Peter Tregilgas and “Social Enterprise in Australia” definition – Market based ventures with social aims. The definition included Cooperatives and Mutuals as the emphasis is clearly on the market sustainability to enable social outcomes.

Co-operatives offer value to the community, inspiring engagement, generating enterprising leadership, underpinning collaborative social values and creating a legitimate entity for social trading.

The irony here particularly when challenged by the “New Sharing Economy” in the terms of Innovation – is that what is old is new again!

**Slide 2/3/4****History****Origins**

- Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. Resurgence UK Coop movement

**Australian - experience**

- Westfarmers (owner Bunnings) – Established June 1914 as the Westralian Farmers Co-operative, demutualised 1984.
- Current regional battle between the Big 2 – Grocery Brands and the Consumer Coops
  - 1950's Classic Film: US – A Beautiful Life, Jimmy Stewart ... Community banking Big Corps v Community

George (Jimmy Stewart) and his father run a small Building and Loan company that finances mortgages for the local people, while the evil, avaricious, and wealthy Henry Potter ([Lionel Barrymore](#)) is on the board of directors of the Bank and holds much of its assets, along with almost everything else in town, charging exorbitant rent on his own apartments ...

**International**

- Basque Spain – Mondragon: largest Coop in the World – Est 1959 as a Worker Coop it is a network of co-operatives and associated entities incl - 260 manufacturing, retail, financial, agricultural, civil engineering, with jobs for 83,800 workers, and annual sales in excess of \$US20 billion.
- Grameen Bank – Pakistan: Est 1976 by Muhammad Yunus

## **Slide 5**

### **What are Cooperatives: Video**

- [https://www.youtube.com/watch?v=90FL\\_bBE4mw](https://www.youtube.com/watch?v=90FL_bBE4mw)

### **Questions to the Audience:**

- Who thinks they are a member of a cooperative?
- Who is Member of Credit Union
- Who is a member of NRMA
- Anyone who answered yes are amongst friends
  - Est 13.5m Coop & Mutual Members (56%) in Aust
  - they all Mutuals & Cooperatives
- In fact NRMA is in the Top 2 of Member's based Coops in Aust

**Slide 6.****Co-operatives: definition**

The common definition of a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

- Cooperatives are recognised Legislated legal governance system to form entities
- Cooperatives operate in every industry of the Australian economy;
- The field is mature and diverse;
- Two forms – Cooperative entities:
  - Non distributive (Not Profit)
  - Distributive – (Trading)
- The substantial majority of Cooperatives are non-profit distributing.
- Basic structure is a Five (5) member minimum Board who are agreed to the common bond or focus of the entity
- Not difficult to set up – though have a reputation of difficultly
  - partly addressed in the new Cooperative National Legislation (originated in NSW) and being adopted in some form by all States
- Takes engagement and collaboration to form cooperative
  - 50 Beers metaphor ie 5 people meet several times to discuss common issue and build agreement
  - Compared to P/L – a couple of beers an day/night a week

**Slide 7.****COOPERATIVE Values – What makes Cooperative Different.**

What makes a co-operative different?

- co-operatives are locally owned, creating and retaining profits and jobs within their communities
- co-operatives are democratically controlled, putting into practice the principles of social justice and equal opportunity
- co-operatives operate in the competitive market, and combine commercial and social objectives
- co-operatives are not controlled by remote shareholders seeking short-term gain.

An important differentiation is that Cooperatives are not set up as “Not for Loss” they are set up as deliberate collaborative structure and with a market focus.

Co-operatives are based on the 6 key values – Shared Values!

- Self help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity

*These values are put into practice through the seven international co-operative principles.*

***Cooperatives around the world generally operate according to the same core principles and values, adopted by the International Co-operative Alliance (ICA) in 1995.***

## **Slide 8**

### **7 COOPERATIVE PRINCIPLES**

Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844.

#### **1. Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### **2. Democratic Member Control**

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

#### **3. Members' Economic Participation**

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

#### **4. Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

#### **5. Education, Training and Information**

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

#### **6. Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

#### **7. Concern for Community**

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

**Slides: 9 / 10 / 11.****Cooperative - Economic Contribution**

- Cooperative & Mutuals contribute 7% of Australia's GDP (BCCM 2014)
- Top 100
- The top 100 data is drawn directly from a study commissioned by the Business Council of Co-operatives and Mutuals and undertaken by the University of Western Australia:
- Top of the list were Australia's farmer-owned co-operatives. Western Australian grain handler, CBH Group (\$2.8 billion) and Victorian dairy, Murray Goulburn (\$2.39 billion)
- 1st & 2<sup>nd</sup> on the top 100 list, also ranked 3<sup>rd</sup> and 4<sup>th</sup> the top 5 private Australian businesses in the recent BRW Top 500 list.
- NSW had the most co-operatives and mutuals in the top 100 list (44%) and largest contribution to aggregate turnover. The top 10 co-operatives and mutuals in NSW had turnover of \$5.79 billion in 2012/13.
- The RDA Mid North Coast (NSW) has identified that 10% of the assets of NSW Credit Unions are located in the MNC (6 LGA's Taree - Coffs) interesting as that's only 3.5% of the population and only 3 key operations (Banana Coast, Holiday Coast and Coastline plus not to forget Newcastle Building Soc.
- International:
  - UK Coop movement
  - Basque Spain – Mondragon: largest Coop in the World – Est 1959 as a Worker Coop it is a network of co-operatives and associated entities incl - 260 manufacturing, retail, financial, agricultural, civil engineering, with jobs for 83,800 workers, and annual sales in excess of \$US20 billion.
  - Grameen Bank – Pakistan: Est 1976 by Muhammad Yunus – a further example of mutual finance.

In the context of Social Enterprise – many have tended to be Micro Enterprises ... many forms of Cooperatives such as Housing Coops, Community Food Coops may be small but are often focused on the assets related to the venture.



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**Slide 12 / 13.****Current Environment for Innovative Collaboration**

With the NFP sector being encouraged to consider “mergers” as an efficiency measure (to supposedly reduce overlap and excess numbers), consideration needs to be given to a viable alternative to this difficult process - the formation of an ‘enterprise cooperative’.

Enterprise cooperatives in the NFP sector - based on a membership of NFP associations – can achieve the same benefits of sharing overheads, services and assets through cooperation as a merger will achieve through a ‘joined up’ management structure – but while still retaining each member’s own identity and heritage.

Examining the organisational external environment for Community Services – one of the key analysis must be “Technology”. The rise of the so called “New Sharing Economy” provides a challenge and an opportunity for Cooperatives.

- To Engage – Youth (GenY) / To Engage new markets – Arts & Creative Industries.
  - Example: Forth coming event with Vivid Ideas 2016 – Creatives Get Mutual (5&6 June).
  - Cooperatives have a long and rich history in the arts where artists and producers have banded together to achieve creative outcomes, services and facilities.
  - Built on shared values and collaborative principles –creative industries rely on the labour and ingenuity of artists. The creative industries face challenges of funding, the cost of facilities and technological change.
  - Creativity is the base of innovation and the challenge for the sector is both why a collaborative platform approach is needed and how to structure entities within the cultural sector to build and share resources.

**Slide 14.****What role can Cooperatives play locally.****Public Service Mutuals****Cooperative Enterprise - may be an answer to the Merger dilemma**

NFPs/charities clearly don't have to merge to enjoy the benefits of joined up working relationships and shared ownership/utilisation of assets and services. Mergers amongst NFPs will have the downside of an even more concentrated and less innovative charity sector. Maintaining strong links to communities through shared ownership and participation structures builds civil society and social capital.

*The most recent example of an 'enterprise cooperative' can be seen in the community transport sector in Western Sydney – a cooperative start-up commenced through the 'mutualisation' of three existing NFP community transport providers under the umbrella of the "Greater Western Sydney Community Transport Cooperative".*

The cooperative sector's view is that it is better to have a greater variety of charities/NFPs servicing a wider range of interest groups and customer bases - and cooperating more creatively on service development - than fewer organisations competing on a larger scale.

Diversity will always create better dynamics in the NFP sector - and what a better way to do it than through an enterprise cooperative.

An issue of scale emerges – 5 organisations with annual turnovers of \$400k becomes a \$2m Collaborative Cooperative Enterprise.

Examples exist – eg SA: Berri Hotel & Streaky Bay Hotel, ACT: Belconnen, Vic: Hepburn Wind Farm

Rather than be persuaded that a merger is the only way to go, think '**let's cooperate**' for achieving a better result for your community.

**Government Interest**

Government Interest in on the rise: largely promoted by Industry advocates: Business Council of Cooperatives & Mutual (BCCM)

- BCCM: White paper Public Service Mutual
  - [http://bccm.coop/publications/public-service-co-operatives-mutuals-white-paper/#.VsGuk\\_I97IU](http://bccm.coop/publications/public-service-co-operatives-mutuals-white-paper/#.VsGuk_I97IU)
- Senate Inquiry – Economic Committee value of Cooperatives in the Australian Economy

**Slide 15.****Cooperatives are in Business**

- **Market based venture with social aims**

The early definition of social enterprise published in “Social Enterprise in Australia” was that it is “...a means by which people come together and use market-based ventures to achieve agreed social ends ...”

It went on “... It is characterised by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational, employment, or other community benefits (Tregilgas, 2002)”

Cooperatives have a market focus – many of the community service organisations have for some time generated a market focus and with a significant trading balance sheet – Cooperatives are well versed to the potential of business and managing a trading operation generally

**Balancing key Objectives & Business Planning**

- Cooperatives fundamentally are about people working together can achieve their social objectives in ways that are economically sustainable.
- A Cooperative has two key objectives:
  - to achieve its values based purpose
  - to operate as a sustainable commercial entity.
- These objectives are not only compatible, but can help ensure each is achieved.
- However, this doesn't mean that an enterprise will succeed just because a community has a good idea or intentions.
- Good ideas/intentions need to be backed up with sound business planning. This means the strategies used by the enterprise to achieve its aims must have a sound commercial basis.
- The Cooperative in Australia – Manual – prepared in regard to new **Cooperative National Legislation (CNL)**

**Slide 16****Useful reading/publications:****Cooperatives in Australia Manual**

(Free download – following sites - publications include – basic business plan outline)

- The Mercury Centre Cooperative Ltd
  - <http://mercury.org.au/resources>
- Social Enterprise Services Australia
  - Inc Social Enterprise in Australia (Handbook)
  - <http://www.socialenterprise.com.au/resources>

**Advocates**

- Business Council for Cooperatives & Mutuals (BCCM):
  - <http://bccm.coop>
- Co-op Federation Website for details:
  - <http://coopsnsw.coop/>

**Final Slide 17. – Thank You**

*“The Rochdale Society of Equitable Pioneers was a group of 28, around half were weavers in Rochdale, Lancashire, England, that was formed in 1844. As the mechanisation of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool £1 per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meagre selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British co-operative movement had grown to nearly 1,000 co-operatives.”*

**End**



**The Mercury Centre Cooperative Ltd**  
**Post: GPO Box 4825 Sydney NSW 2001**  
**Web: [mercury.org.au/](http://mercury.org.au/)**  
**Email: [chair@mercury.org.au](mailto:chair@mercury.org.au)**