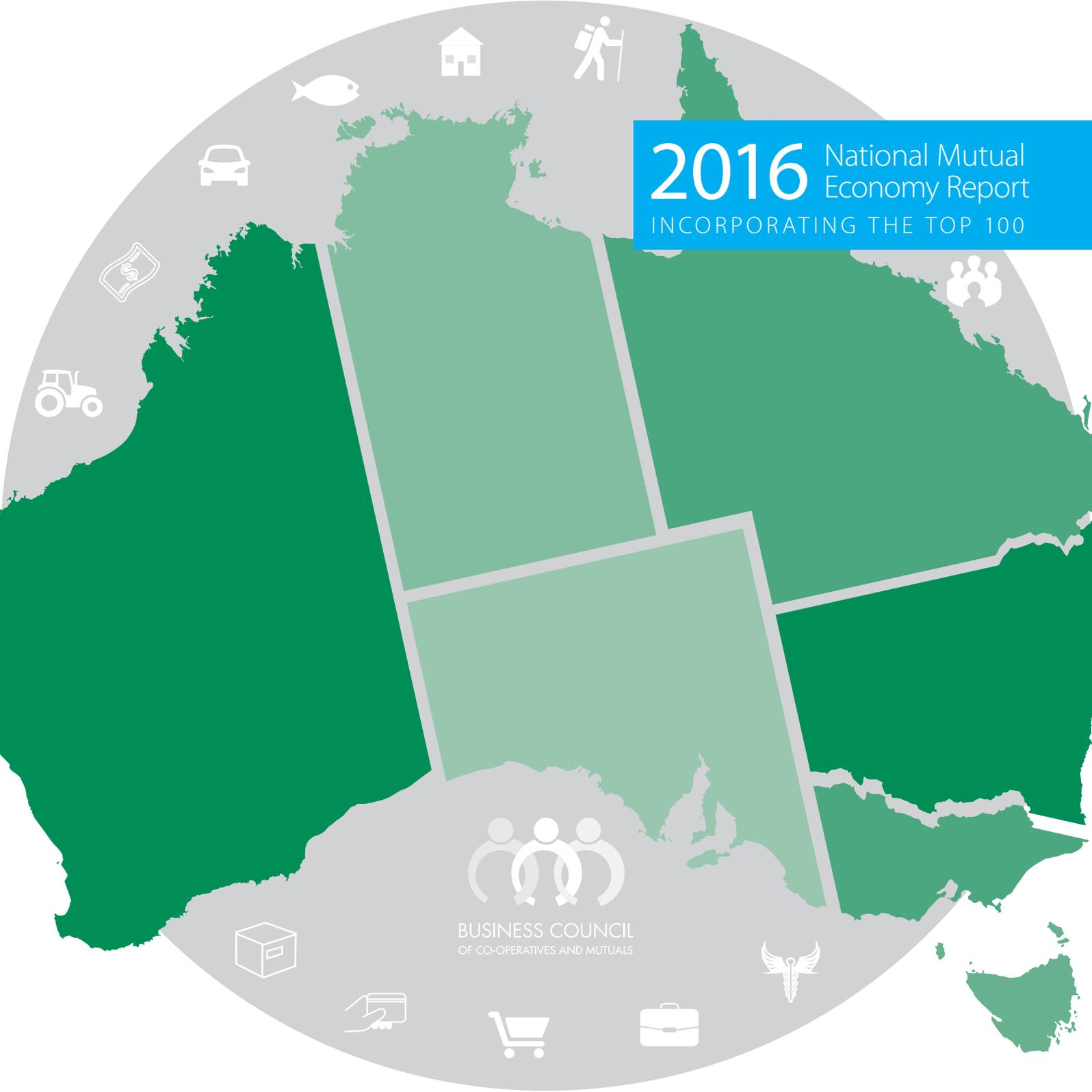


2016 National Mutual Economy Report

INCORPORATING THE TOP 100




BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS



2016 Report Partner



Bank Australia is proud to be a founding member of the BCCM



2016 National Mutual Economy Report

Incorporating the Top 100

Providing the latest research on the economic and social contribution of Australia's co-operative, mutual and member-owned firms.



With the research collaboration of the University of Western Australia



For more information on the co-operative and mutual sector:

www.bccm.coop

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About the BCCM

The Business Council of Co-operatives and Mutuals (BCCM) is the national peak body representing co-operative and mutual models of enterprise. It is the only organisation uniting the entire and diverse range of member owned businesses in Australia.

Formed in 2013, the BCCM is a powerful and informed voice in the business community, bringing together the sector of businesses owned by members or formed to benefit members, with the common objective of increasing awareness of these models of enterprise.

Through our members, the Council highlights the contribution co-operatives and mutuals make to the national economy and social development in Australia. The BCCM provides leadership in the important areas of research, education and advocacy to build a strong sector.

About the Report

This is the third annual report on the scale and performance of the Australian co-operative and mutual sector. The report aims to map the size, composition and overall health of the co-operative and mutual sector using the Australian Co-operative and Mutual Enterprise Index (ACMEI), which started in 2012 with the first national data collection process in 2014.

CEO's message



Welcome to the third annual National Mutual Economy Report produced by the BCCM with the research collaboration of the University of Western Australia.

It is supported in 2016 again through the generous financial contribution of Bank Australia. Importantly it is made possible with the collaboration of Australia's co-operative and mutual enterprises, which take part in an annual survey collecting and collating economic and additional data so that we can build a better picture of the contribution and performance of the sector.

Over the past year, recognition of the importance of co-operative and mutual enterprises (CMEs) in the Australian economy has improved significantly due to the hand down of the Federal Senate inquiry into "cooperative, mutual and member owned firms" and the 17 clear recommendations the Senate Economics References Committee provided for government to ensure a level playing field for CMEs. Likewise, the Federal government's \$14.9 million Farm Co-operatives and Collaboration Pilot Program to provide farmers with knowledge and advice on co-operatives, collective bargaining and other forms of collaboration is significant in this regard.

Such developments are important to ensure our business model and enterprises are at the forefront of minds in Canberra and in educating the general public about our value to the Australian economy. This report also plays a significant role in seeing this come to fruition.

This year's survey of the Top 100 CMEs provides evidence of growth and vibrancy across the sector. In terms of financial performance, annual turnover for the sector rose strongly as did profitability. More robust mapping has also revealed the depth and breadth of our ownership patterns with a startling 29 million active memberships of Australian CMEs.

Overall we find that Australia's co-operative and mutual enterprise sector is strong and healthy. While the CME business sector remains poorly understood by the wider community, it is now being given greater recognition by state and federal governments, which can only benefit the sector and the Australian community more widely.

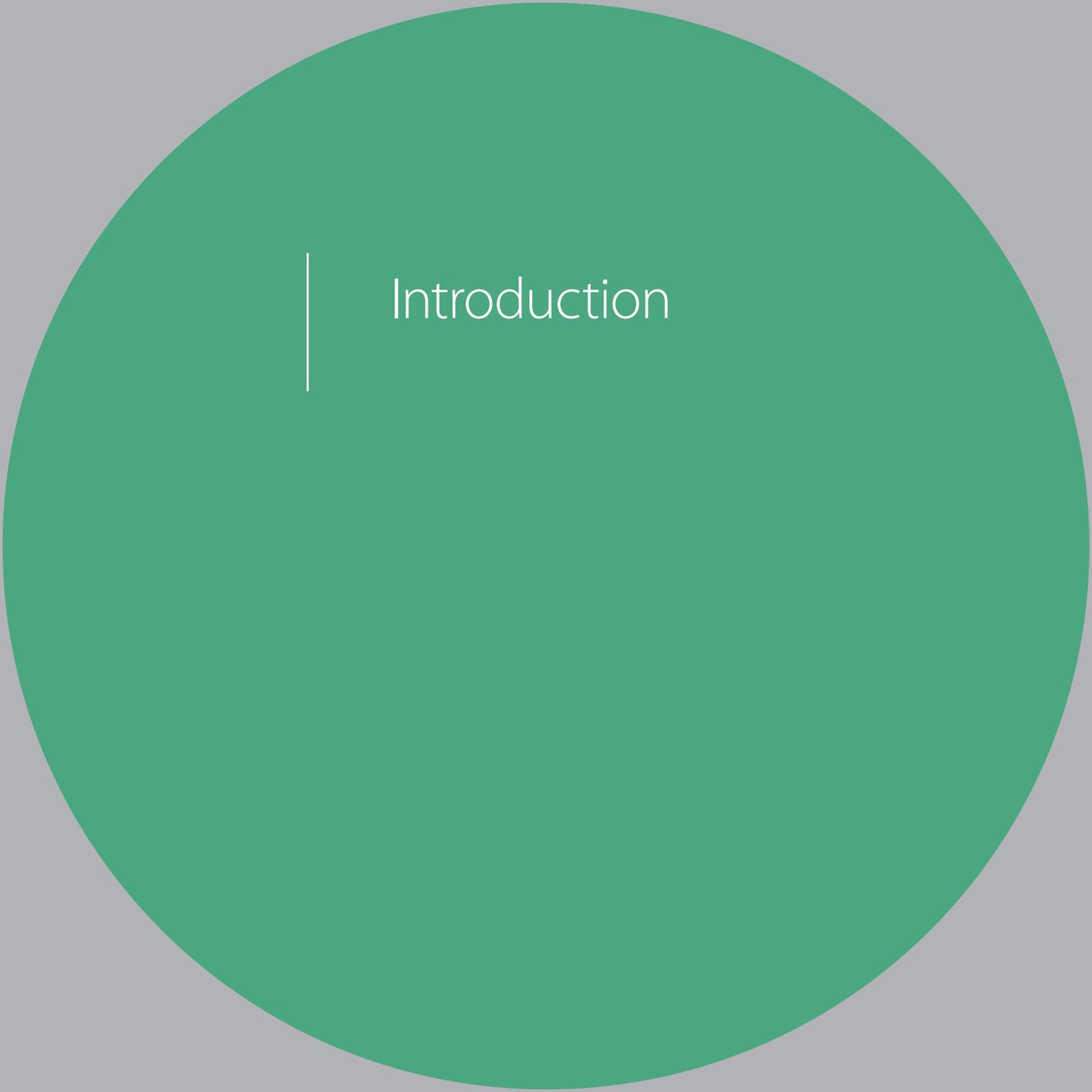
The BCCM wishes to acknowledge the work of the researchers Tim Mazzarol, Elena Mamouni Limnios, Geoffrey Soutar and Johannes Kresling. Their detailed understanding of the factors influencing the performance of CMEs is reflected in this study. This year we have included four business case studies which delve deeper into the operation of leading CMEs. Our thanks to the co-operatives and mutuals involved for their time and insights. We hope you find this publication valuable.

Melina Morrison

Chief Executive Officer

Business Council of Co-operatives and Mutuals

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A large green circle is centered on a gray background. Inside the green circle, the word "Introduction" is written in white, sans-serif font. To the left of the text, there is a thin white vertical line.

Introduction

About this report

This report is based on research undertaken by the University of Western Australia to map the size and structure of the co-operative and mutual enterprise (CME) sector in Australia. Its purpose is to provide a better understanding of these businesses and their contribution to the national economy. Despite representing some of the largest businesses in their sectors and being found across a wide-range of industries, the overall size, structure and contribution of the CME sector in Australia is relatively poorly understood. This is due to a paucity of reliable data, difficulties in definition and vagueness over which firms should be identified as CMEs. To address these issues the development of an Australian Co-operative and Mutual Enterprise Index (ACMEI) has commenced. This aims to provide data and analysis of the size and shape of the CME sector. In 2016 it has focused on the identification of the Top 100 co-operative and mutual enterprises in Australia to inform the peak body representing the sector, the BCCM.

Research challenges

Defining the CME

The Australian Bureau of Statistics (ABS, 2012) has cautioned that there are problems with the definition of what a co-operative or mutual enterprise is. This is due to the use of many different names (e.g. co-operative, society, association, mutual), and because not all CMEs are registered under the same legislation. Our definition of a CME draws upon the ABS (2012) framework that identifies a member owned organisation with five or more active members and one or more economic or social purposes. This organisation's governance is democratic and is based on sharing, democracy and delegation for benefit of all its members. Such organisations can be formally registered with one of the state or territory authorities under their respective Co-operatives Acts, or under the Corporations Act (2001), but governed along co-operative principles.

How many CMEs in Australia?

A challenge for this research is knowing the exact number of CMEs in Australia. Reliable data is limited by the way in which the data is recorded and reported. Not all co-operatives are registered with the state and territory authorities under the Co-operative Laws. Many are registered under the Corporations Act (2001) and operate as co-operatives under their constitutions. Further, in the mutual enterprise area the diverse nature of such firms adds another layer of complexity. In its submission to the Federal Senate inquiry into the operation of co-operative and mutual firms in the economy, the BCCM has recommended that the ABS be required to collect data on the sector as it does for other business sectors.

In its final report for the inquiry into cooperative, mutual and member owned firms (2016), the Senate Economics References Committee recommended that "... the Commonwealth Government ensures that a national collection of statistics and data is undertaken to provide an accurate picture of the scale and extent of the co-operative and mutual sector." (Recommendation 1). Consistent, accurate data collection on the sector by federal and state agencies will greatly assist a reliable measure of the size and structure of the Australian CME sector.

Source research for this report

Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., & Kresling, J. (2016)

Australia's Leading Co-operative and Mutual Enterprises in 2016

CEMI Discussion Paper Series, DP 1601, Centre for Entrepreneurial Management and Innovation

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NOTE: This paper has been prepared in conjunction with the UWA Co-operative Enterprise Research Unit (CERU)

www.cemi.com.au/sites/all/publications/CEMI-DP1601-Mazzarol-Limnios-Soutar-Kresling-2016VF.pdf

Chapter 1

Federal Senate inquiry:
A watershed moment



“

The rules of the game are being set by those who are at the table, for their own interest, so it's very important to have the co-op movement there as a reminder to big corporations about the dangers of excessive selfishness — and to keep the idea that there are alternative forms of organisation that ought to be discussed, that isn't just the issue of government versus private sector.” (2016)

Professor Joseph Stiglitz,
Nobel Prize in Economics (2001)

Federal Senate inquiry: A watershed moment

17 March 2016 was a watershed moment for co-operatives and mutuals in Australia with our Federal Senate's Economics References Committee (SERC) handing down its bipartisan report into "cooperatives, mutuals and member-owned" firms. The report found CMEs to be a vital part of the Australian economy contributing to a diverse, sustainable and competitive economy. The committee made 17 wide-ranging recommendations that fall into the categories of recognition, regulation and education.

Put simply, the committee made the following recommendations to put CMEs on a level playing field with all forms of business, allow them to grow to their full potential and ensure that it is as easy to set up and run one as any other form of business.



Capital

CMEs need capital to run and grow just like any business. But, unlike other businesses, they face a number of regulatory barriers that put them at a disadvantage when it comes to raising capital.

The Senate recommended mutuals should have the same opportunity as any other form of business to raise working capital to better serve their members and they should be able to raise that capital in a way that does not compromise their mutuality. At its worst, the current regime means that CMEs are sometimes required to demutualise in order to raise vital investment.

On the other hand, crowdfunding has taught us that lots of individuals can pool funds to provide the start-up capital for a whole range of community projects. The Senate recognised the tremendous opportunity for co-operatives to be the vehicle for this collective investment and recommended governments play their role by providing linking information and advice for citizens looking to co-operate in this way.



Recognition

The Senate recognised that the laws and regulations governing CMEs do not always serve them well. Some of these regulations even work against the principles and objectives of co-operatives and mutuals. CMEs have become adept at work-around solutions but it's time to cut the red tape and ensure the legislative and regulatory frameworks are fit for purpose for co-ops and mutuals. The Senate recommended that states, territories and federal government start working together immediately to harmonise the legislation and standardise the regulation for co-operatives no matter where they are setting up in Australia. The Senate said the Corporations Act should be amended to recognise the unique characteristics of mutuals.

At the same time, the Senate said that government should collect the same data on co-ops and mutuals that it collects for other forms of business.



Education

Co-operatives and mutuals are commonplace businesses. But, they remain hidden in plain sight. That's why we say CMEs are the "Ninja Economy". The Senate found CMEs "punch above their weight" but the disadvantage they incur by not being more visible to regulators, financiers and citizens means they don't always reach their full potential.

After hearing the evidence, the Senate concluded education would be the most effective way to raise the profile of CMEs and tear down the barriers to their free and full participation in the economy.

The Senate called on everyone whose job it is to help set up and run businesses to learn about co-operative and mutual business models. Lawyers and accountants should be taught about CMEs when they are studying for their degrees. Regulators should be as knowledgeable about co-ops and mutuals as they are about small businesses, listed firms and charities. And, government business advisors should be as comfortable advising a co-op as they are with a sole trader.

Inquiry snapshot

60 Number of submissions made to committee

13 Number of times BCCM referenced in the committee's final report

32 Respondents called to give evidence at the hearings

17 Number of recommendations

24 Number of BCCM members who made submissions

3 Number of public hearings the inquiry held

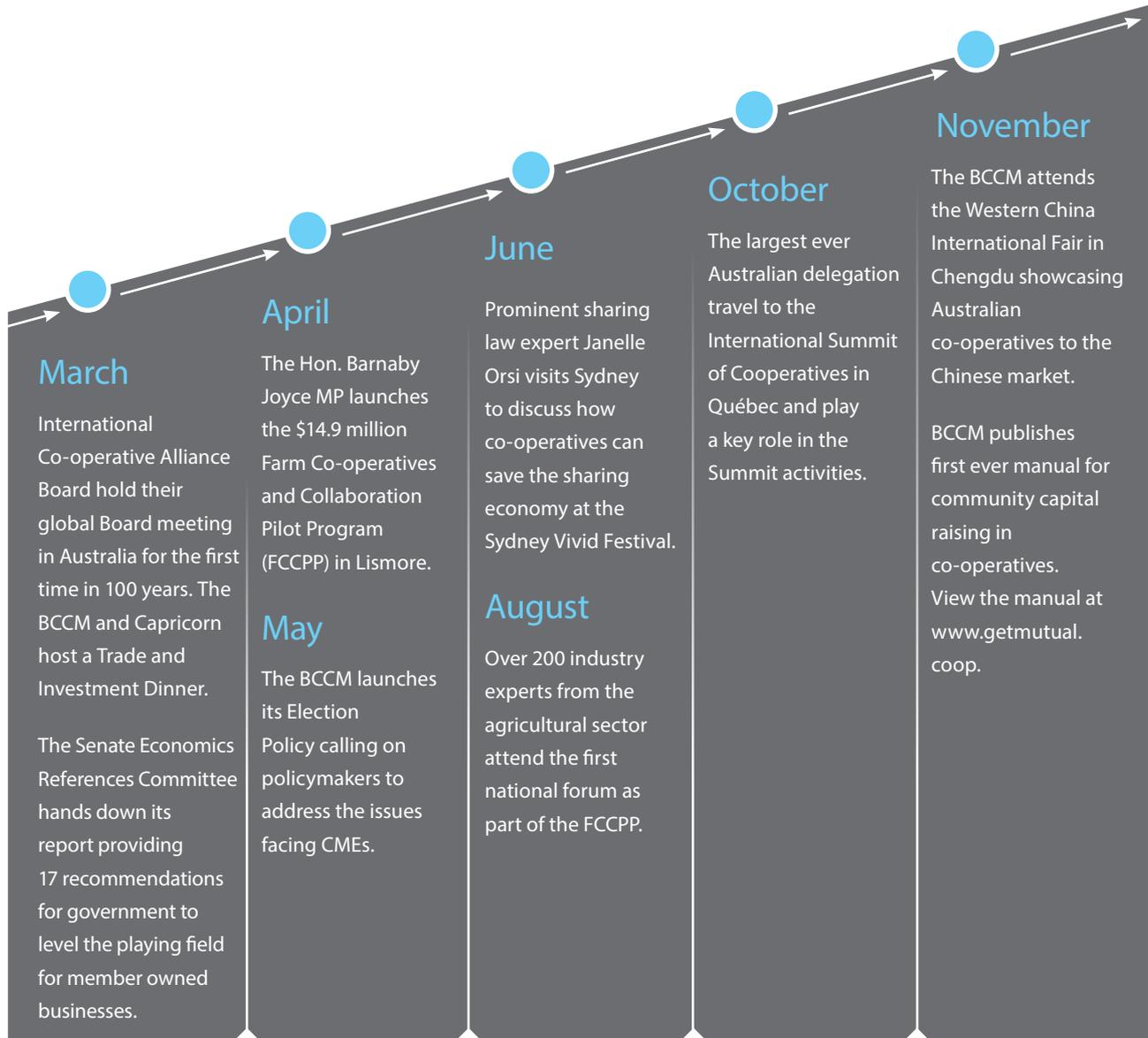
Federal Election: A policy for co-operatives and mutuals

Prior to this year's election, the BCCM launched a 2016 Federal election policy calling on all parties to show bipartisan support for the co-operative and mutual sector. As part of the policy, the BCCM proposed the Co-operatives and Mutuals Charter which sets out the principles for how government should work 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.

Download a copy of the Charter: www.bccm.coop

2016 milestones



Chapter 2

Sector Snapshot

Australia vs The World



Australia

- **2000** co-operative and mutual enterprises (CMEs).
- Representing **29 million** active memberships.
- Top 100 combined turnover of **\$30.5 billion**.
- Top 100 combined assets of **\$143.7 billion**.
- In five years, average annual turnover for the Top 100 CMEs grew by **18%** while total combined assets for the group grew by **14%**.



The World

- World's largest 300 CMEs have a turnover of USD **\$2.53tn (2,533.1bn)**.
- Increase of **7%** from last year and exceeds the GDP of France.
- **Three Australian** co-operatives and BCCM members **listed in the Top 300**: CBH Group (147), Murray Goulburn (188) and HCF (230).
- **Agribusiness** and **insurance** are the sector's largest industries by turnover.
- CMEs employ **300 million** people worldwide.

Australia's Top 100 co-operative and mutual enterprises

The combined turnover for the Top 100 Australian CMEs for FY2014/15 was \$30.5 billion with combined assets of around \$143.7 billion. If the Top 10 member owned superannuation funds are included in these aggregate figures, the combined annual turnover for the period was around \$132.9 billion with combined assets for the same period of \$650.4 billion. Over a five year period, the average annual turnover for the Top 100 CMEs grew by 18% while the total combined assets for the group grew by 14%.

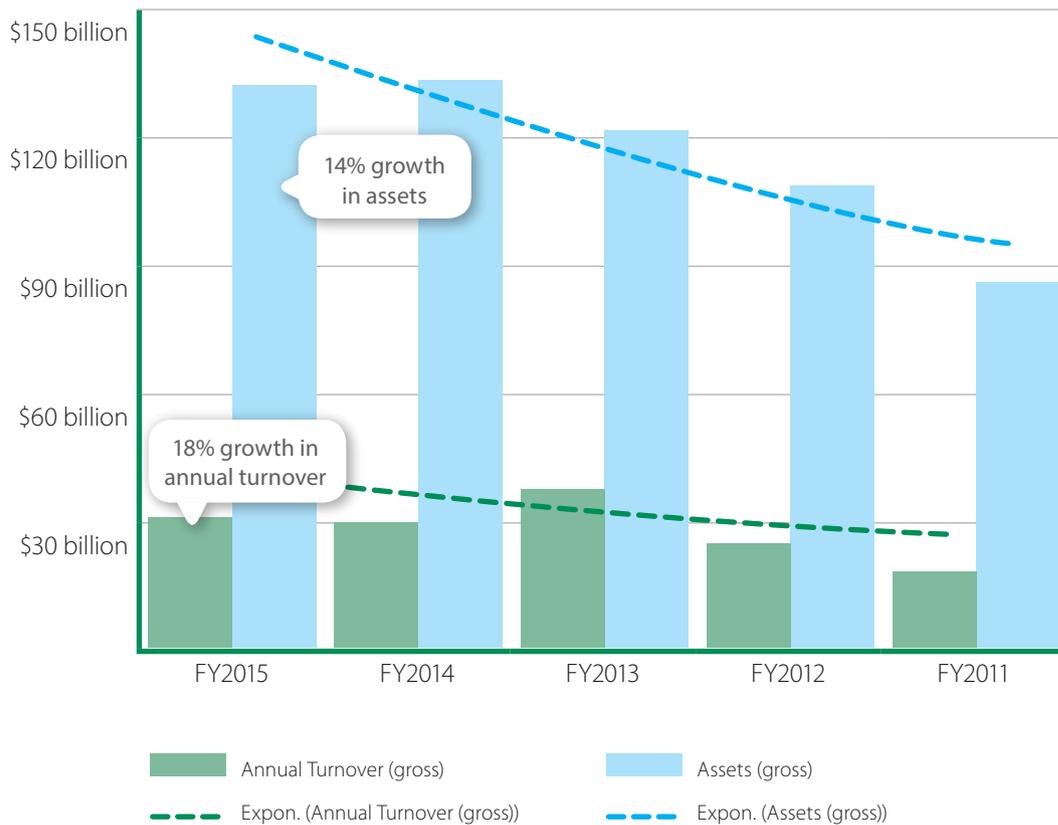


Figure 1: Top 100 CME Annual (Gross) Turnover and Assets Five Year Trend

Mighty membership

There are several ways to measure the performance of a business sector. CMEs are both financial and social firms, so membership is an important measure of the health of our sector. Since CMEs don't have shareholders in the traditional sense, the number of members our co-operatives and mutuals have, not only shows how many touchpoints CMEs have with everyday Australians, it also shows CMEs are a great way to "share the pie". Members are our owners and CMEs reinvest their profits fairly and equitably back into the businesses to benefit these special owners – less leaky profits, more pie!

Taken as an aggregate, there are 29 million active members of Australian CMEs*.

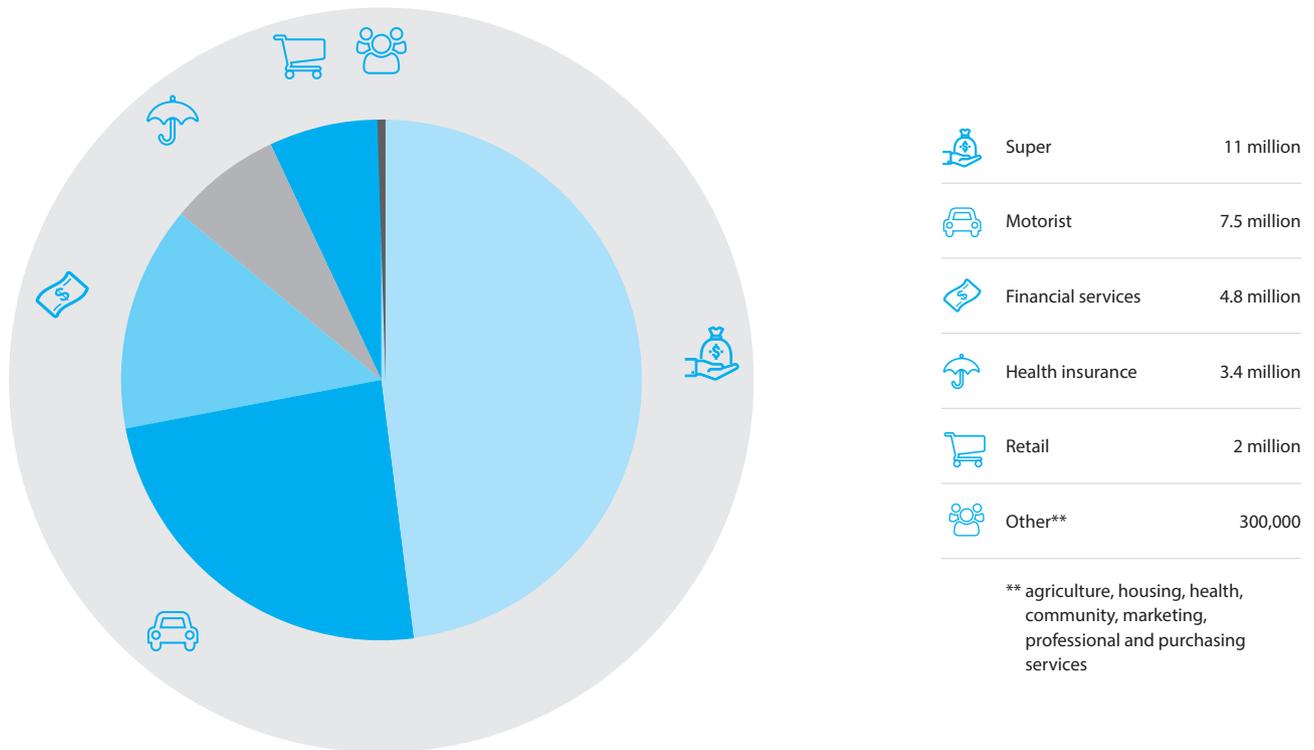


Figure 2: Proportion of active memberships by industry sector

**Data is taken as a representative sample from 131 CMEs

Top 5 CMEs by membership FY2014/2015

The Top 5 CMEs by membership (including member owned superannuation funds) based on FY2014/15:

- 1 NRMA [NSW] 2.4 million members
- 2 Australian Super [VIC] 2.1 million members
- 3 RACV [VIC] 2.1 million members
- 4 Retail Employees' Superannuation Fund (REST) [NSW] 2 million members
- 5 University Co-operative Bookshop Ltd [NSW] 2 million members



The committee recommends that co-operative and mutuals sector be better represented in government policy discussions, and is actively promoted as a possible option for service delivery particularly where community based initiatives are being considered."

Recommendation 2, Senate Economics References Committee report into cooperative, mutual and member owned firms

Turnover of the Top 100 CMEs by industry

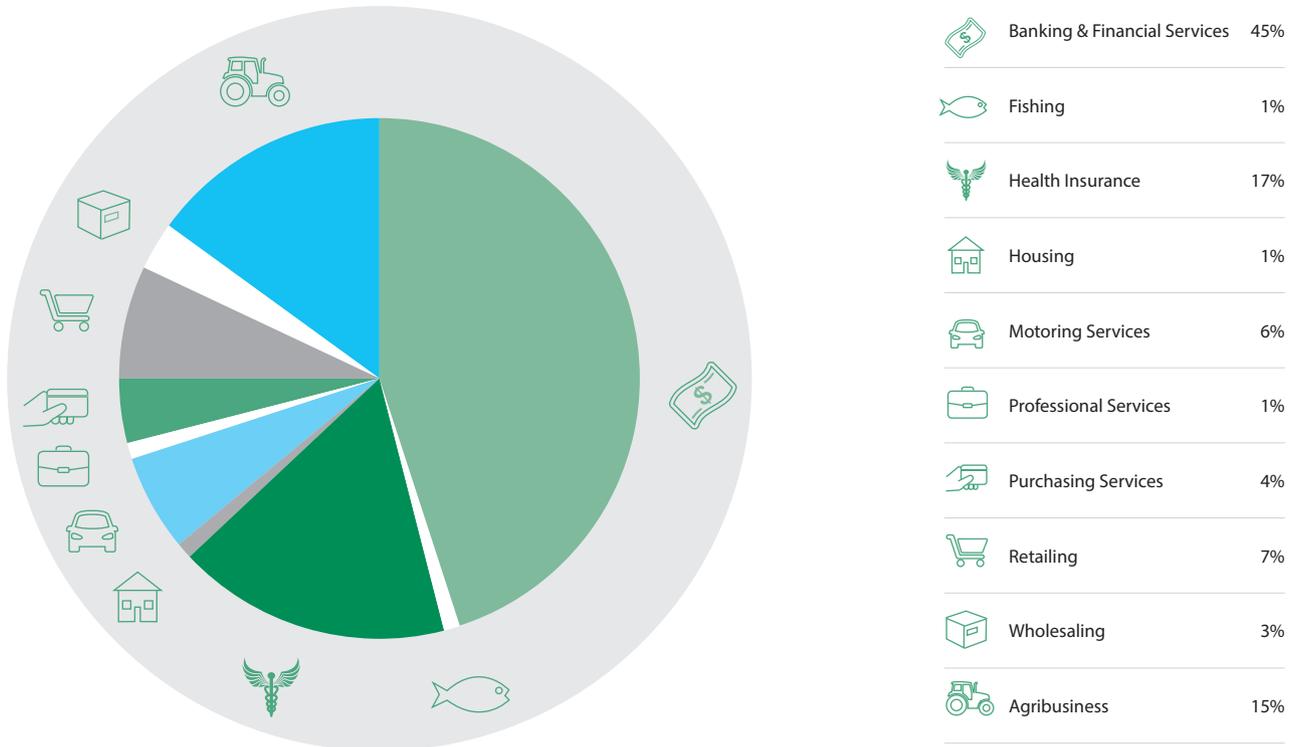
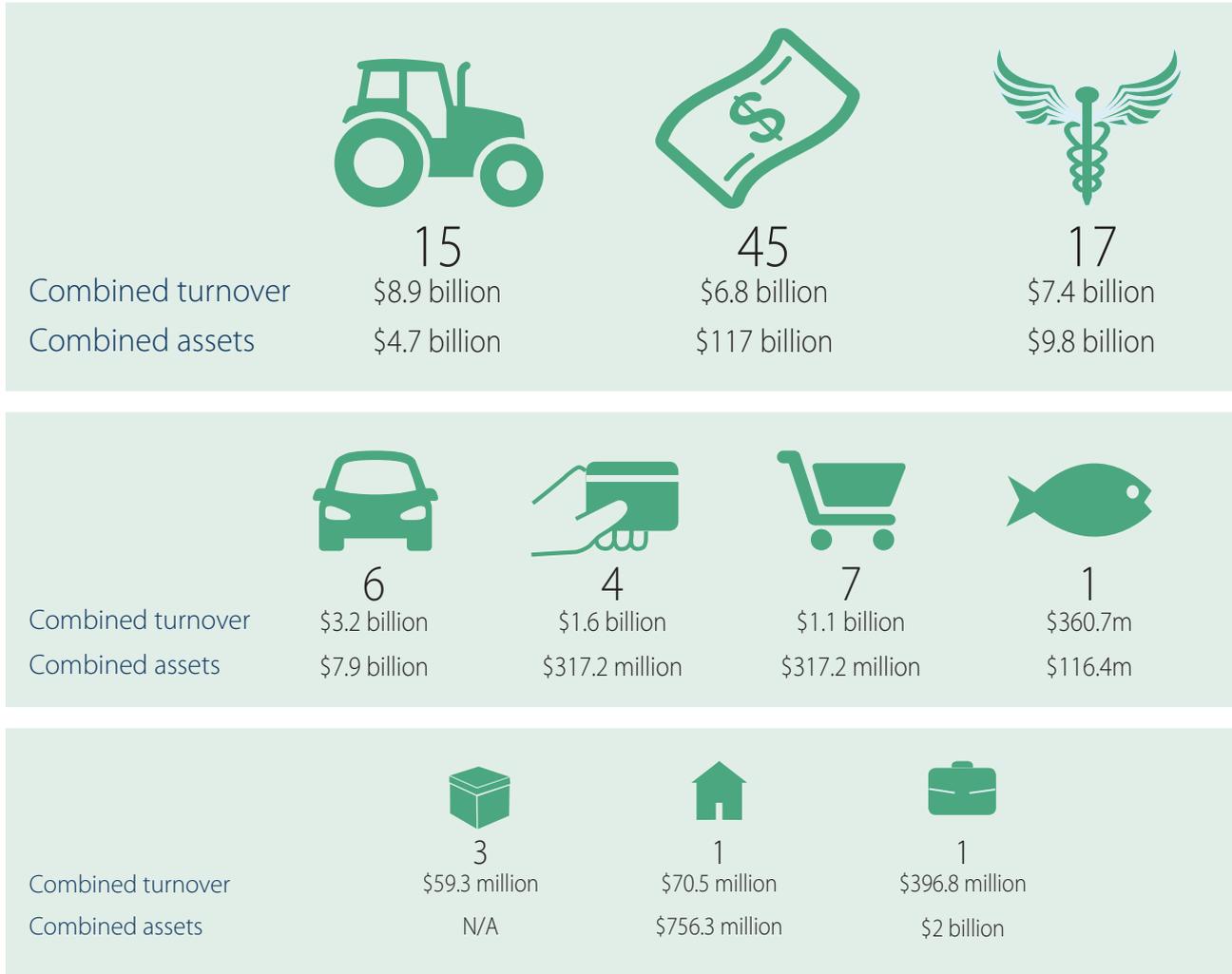


Figure 3: Top 100 CME Turnover by Industry Sector

Combined turnover and assets of the Top 100 CMEs



Top 10 CMEs by annual turnover for FY2014/15

Appendix A lists the Top 100 CMEs by gross annual turnover for FY2014/15. The largest firm by turnover was the WA-based Co-operative Bulk Handling Ltd (CBH Group), which reported an annual turnover of \$3.72 billion.

1	Co-operative Bulk Handling Ltd (CBH Group) [WA]	\$3.72 billion
2	Murray Goulburn Co-operative Ltd (MGC) [VIC]	\$2.87 billion
3	Hospital Contribution Fund (HCF) [NSW]	\$2.38 billion
4	Capricorn Society Ltd [WA]	\$1.41 billion
5	HBF Health Ltd [WA]	\$1.40 billion
6	Australian Unity [VIC]	\$1.28 billion
7	Members Equity Bank Ltd (ME Bank) [VIC]	\$1.23 billion
8	RACQ [QLD]	\$1.11 billion
9	RAC WA [WA]	\$660.8 million
10	RACV [VIC]	\$559.3 million

IBISWorld Top 500

Each year, IBISWorld Australia releases the Top 500 index of privately-owned companies by revenue. For 2016, CMEs demonstrated their economic strength and importance to the Australian economy. In total, 14 co-operative and mutual enterprises (CMEs) made the top 100 of the Top 500 list, which is an increase of two on the previous year.

CMES IN THE TOP 10

2 Co-operative Bulk Handling Ltd

7 Devondale Murray Goulburn

9 Hospitals Contributions Fund

CMEs make up

30% of the IBISWorld Top 10

14% of the IBISWorld Top 100,
up from 12% in 2015

7.6% of the IBISWorld Top 500

Top 5 CMEs by assets

TOP 5	1	Members Equity Bank Ltd (ME Bank) [VIC]	 \$21.21 billion
	2	Credit Union Australia (CUA) [QLD]	 \$11.99 billion
	3	Newcastle Permanent [NSW]	 \$8.87 billion
	4	Heritage Bank Ltd [QLD]	 \$8.56 billion
	5	People's Choice Credit Union [SA]	 \$6.89 billion

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



The combined assets for the Top 5 totalled \$57.5 billion accounting for 40% of the overall assets of the Top 100 (\$143.7 billion).



The committee recommends that the Commonwealth Government examine proposals to amend the Corporations Act 2001 to provide co-operative and mutual enterprises with a mechanism to enable them access to a broader range of capital raising and investment opportunities.”

Recommendation 17, Senate Economics References Committee report into cooperative, mutual and member owned firms

Top 100 CME turnover by state and territory

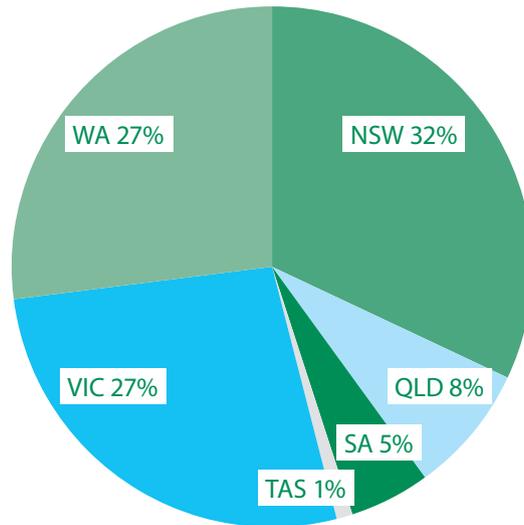
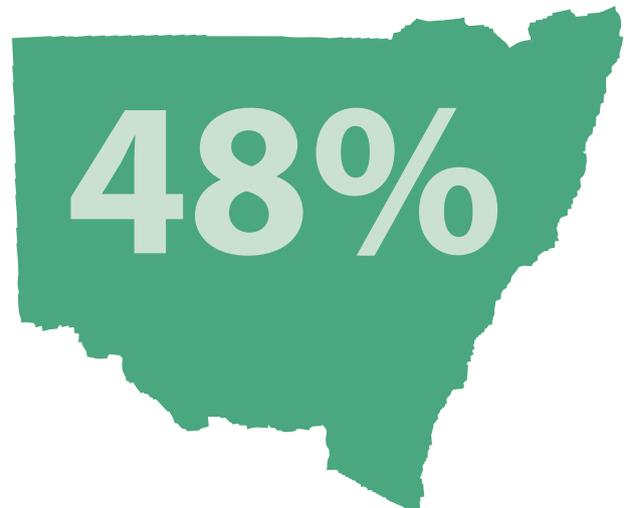


Figure 4: Top 100 CME Turnover by State and Territory

The most co-operative state was NSW with 48% of the Top 100 CMEs headquartered here.



CME Health Check



Our annual health check is in and we have passed with flying colours.

Taken together Australia's top CMEs have experienced another year of strong growth. The combined annual turnover of the Top 100 CMEs is not the only financial measure trending up (\$30.5 billion for FY2014/15, an increase of 4%). Combined assets of the Top 100 is also up by 8% (to \$143.7 billion); whilst the combined median profitability of the same firms is up (15%). Median assets also showed a 9% growth while their combined liabilities fell by 2%.

Mutual super funds have super performance

No first aid needed here. Member owned super funds are in robust health with total annual turnover rising from around \$52 billion in FY2010/11 to \$101.9 billion in FY2014/15. Total assets have risen from \$192.5 billion to \$504.2 billion over the same five-year period.

Doctor's discharge note:



The overall picture of the Top 100 CMEs and mutual super funds is of rosy health, but caution is prescribed. Some industry sectors have experienced declines in annual turnover and assets growth over a 5-year cycle. Whilst CMEs in agriculture, purchasing and housing grew strongly overall, the average aggregate annual turnover declined for financial services and private health insurance (PHI) sectors over the same period. Retail also experienced a small decline, reflecting business cycle fluctuations and the competitive sectors these business operate in.

The world's largest 300 co-operatives and mutuals have grown their turnover by 7.2% to USD \$2.53tn (2,533.1bn), according to the 2016 edition of the World Co-operative Monitor (WCM).

World's largest
CME by turnover

Crédit
Agricole

USD \$90.21 billion

Australia's top member owned super funds

1	Australian Super	VIC
2	First State Super Fund	NSW
3	UniSuper	VIC
4	Retail Employee's Superannuation Trust (REST)	NSW
5	Sunsuper	QLD
6	Health Employee's Superannuation Trust Australia (HESTA)	VIC
7	Construction & Building Superannuation (CBUS)	VIC
8	HOSTPLUS	VIC
9	VicSuper	VIC
10	CareSuper	NSW

Spotlight on Indigenous co-operatives

Co-operatives are an ideal model for delivering services in remote areas, such as Indigenous communities, where issues can be complex and service provision through the private sector is often not suitable or available. There are many successful co-operatives serving Aboriginal and Torres Strait Islander communities in Australia. They include well known organisations such as Tranby National Indigenous Adult Education and Training college in Sydney and Traditional Credit Union in the Northern Territory.

Indigenous co-operatives operate in many sectors including community services, education, health, housing and arts and culture. Of the 1,983 active CMEs identified for the 2016 ACMEI study, at least 77 were owned and operated by Aboriginal or Torres Strait Islander (ATSI) communities.



Image courtesy of Traditional Credit Union

The Senate inquiry into cooperatives, mutuals and member-owned firms (2016) heard evidence on the success of the co-op model in delivering key services to remote communities whilst emphasizing Indigenous ownership and control. It also heard evidence relating to Indigenous organisations' ineligibility to access government funding as a co-operative:



A current barrier to innovation, growth, and free competition in the Aboriginal Torres Strait Islander Community is the funnelling of communities away from co-operative models towards Aboriginal corporations, albeit in an atmosphere of purported freedom of choice.”

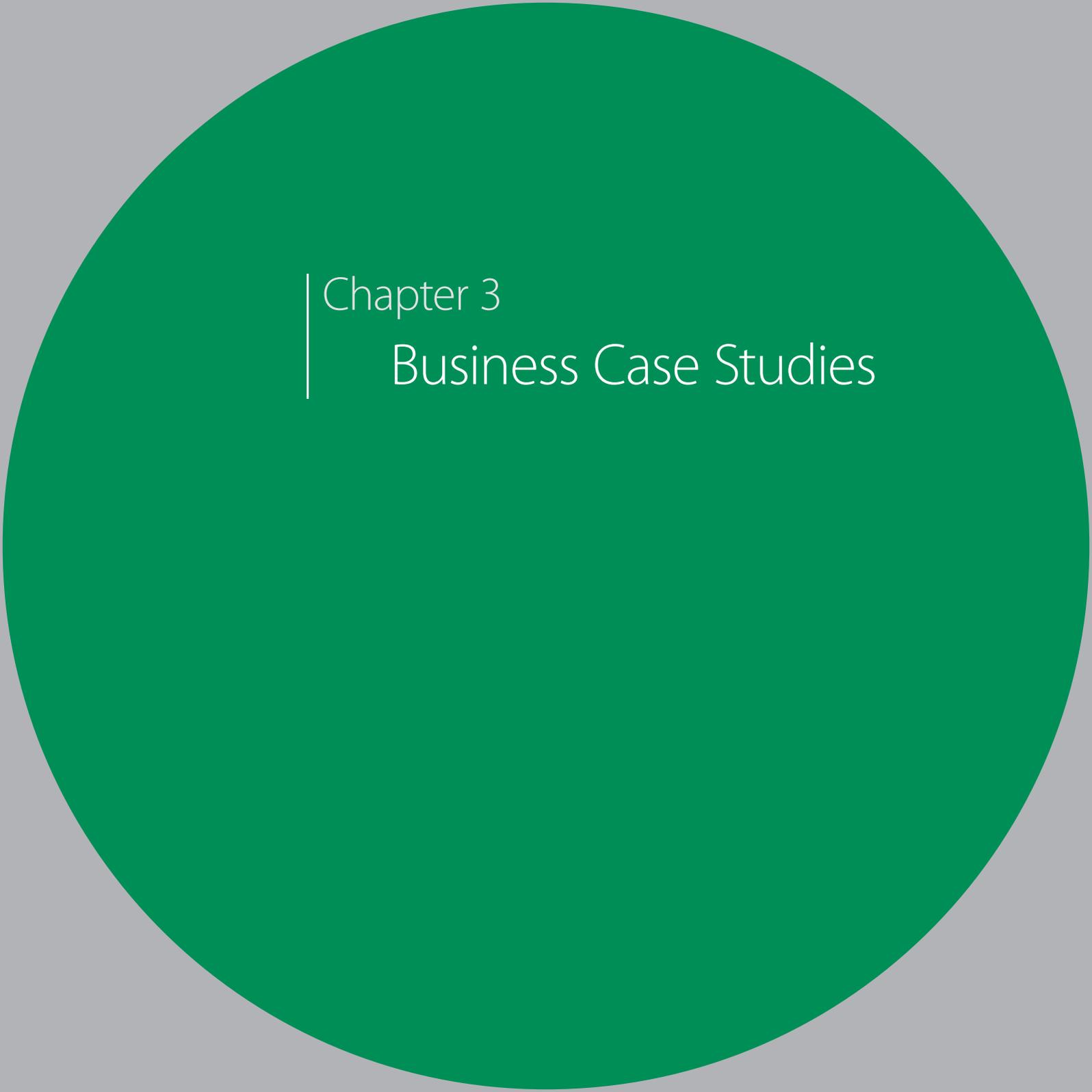
(Councillor Kanak, Committee Hansard, 29 October 2016, p. 64.)

The Senate agreed the barrier is real and recommended “. . . that the Commonwealth Government amend the Indigenous Advancement Strategy to allow registered co-operatives the same access to allow levels of grant funding as other entities.” (Recommendation 10).



The owner member characteristic especially when a multi-stakeholder structure is utilised may be a particularly effective governance model when addressing complex problems and where CMEs facilitate community empowerment. There may be opportunities to use multi-stakeholder structures in Indigenous communities or as the basis for collective impact initiatives which seek to harness diverse resources to achieve a common goal.”

(EY, Senate inquiry, Cooperative, mutual and member-owned firms, Submission 44, 2016, p. 3.)



Chapter 3

Business Case Studies

These articles are shorter versions of the case studies written for Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601.

You can read the full case studies in the Discussion Paper which you can access from the Centre for Entrepreneurial Management and Innovation website: www.cemi.com.au.



Despite its success, CBH has had to face pressure from both external and internal forces to demutualise.

Agribusiness Case Study: CBH Group¹



The grain industry is one of Australia's oldest and largest agribusiness sectors. Grain growing commenced with the first European settlement in 1788 and today there are around 11,922 grain growers in Australia producing a variety of crops that include wheat, coarse grains, oilseeds, and legumes.

Structure Of The Australian Grains Industry

Australian grain producers are predominately family owned farms that employ small, usually casual and seasonal, workforces. To remain competitive grain producers must have access to suitable land and enjoy growing conditions such as appropriate levels of rainfall at the right time of the year. They need to invest in state of the art production systems such as precision farming and the adoption of the latest technologies and crop varieties. There is also an increasing need for more economies of scale, with fewer producers now owning and operating larger farms.

The supply chain for grain in Australia is dominated by a small number of large firms that undertake bulk grain handling and storage, as well as grain wholesaling. Grain wholesaling is a \$16.5 billion industry that has enjoyed an annual growth rate of 4.2% over the past five years. There are around 363 firms operating in this sector, but five companies control about 62% of the market. The two largest by market share are Glencore Grain Pty Ltd and the CBH Group.

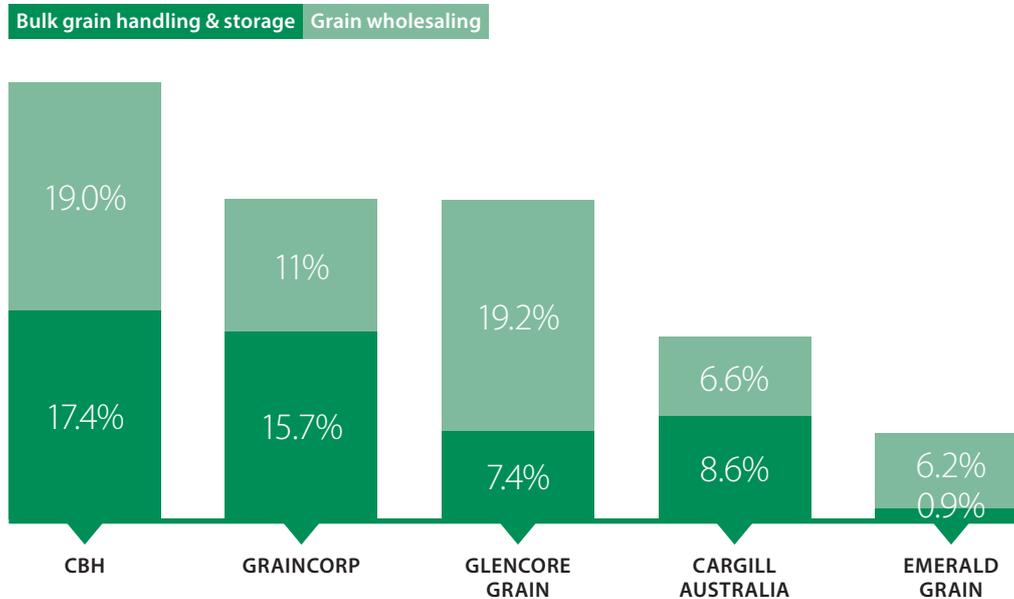
¹ This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation.

Bulk Grain Storage, Handling And Wholesaling

There are at least 116 bulk grain storage and handling businesses operating in Australia. However, once again the same five companies dominate the market. CBH is the most significant player followed closely by GrainCorp. The others are Cargill Australia, Glencore Grain, and Emerald Grain.

Of these five firms only CBH is a co-operative. By comparison GrainCorp is a publicly listed Australian company employing over 3,088 people with annual revenues of more than \$4.1 billion and assets of \$3.7 billion (IBISWorld, 2015). The other firms are foreign owned subsidiaries of companies.

Figure 5: Bulk Grain Handling, Storage & Wholesaling Market Share Of Leading Firms 2016



Source: IBISWorld

The competitive success of these major agribusinesses is their ability to offer efficient, integrated services that encompass both bulk grain handling and storage, as well as grain wholesaling and trading. CBH Group has a good balance of both functions and is a fully integrated business that receives and stores around 90% of the WA grain harvest and has recently expanded into other states.

The Evolution Of The CBH Group

Founded in 1933, CBH is a non-distributing co-operative owned by its 4,200 members who are independent grain growers located in Western Australia. The company operates its own fleet of railway locomotives and rolling stock for bulk grain transport. With 1,200 employees it is one of the largest employers in the state.

For much of its history CBH operated under the Bulk Grain Handling Act (1936) that granted it the exclusive right to handle bulk wheat in WA. This drove the company to expand so that it could provide grain handling and receival points wherever farmers who had sufficient grain to supply were located. In the 1950s the co-operative widened its operations to include oats and barley, with a strong focus on building up export markets.

The deregulation of the grains industry that took place in the 1980s led to the loss of the firm's exclusive right over bulk wheat handling. Despite this, CBH continued to grow and in 2002 it merged with the Grain Pool of WA to widen from handling and storage, to wholesaling and marketing. By 2004 it had entered into a joint venture with the Salim Group to operate flour mills in Asia. In the following year it formed a joint venture with the Hudson Shipping Lines to operate United Bulk Carriers and then Australian Bulk Stevedoring in 2009. It acquired online grain price comparison services DailyGrain the following year and in 2015, CBH acquired the oat milling business, Blue Lake Milling Pty Ltd.

Threats To CBH's Mutuality

Despite its success, CBH has had to face pressure from both external and internal forces to demutualise. In 2000 a minority group of members, with the backing of third-party interests sought to demutualise the co-operative. More recently, CBH has experienced a challenge from a minority group of members known as Australian Grain Champions (AGC).

With the backing of GrainCorp and former directors, AGC sought to have CBH demutualised and listed on the Australian Stock Exchange (ASX). This saw the co-operative engage in an education and consultation program with its members, exploring the possible options for the co-operative's business model. In September 2016, the AGC-GrainCorp group formally withdrew their bid in the face of a rejection by the board and membership of CBH to their proposed change to the firm's co-operative status.

CBH is governed by a board of 12 directors, of which 9 are grower members and 3 are independent directors selected on the basis of their expertise. According to the directors of CBH the recent demutualisation campaign led by AGC caused the co-operative to enter into a major review of its purpose and member value proposition.



I am asked what are you [CBH] here for? And the answer is for WA growers, but then which growers? Yesterdays, today's or tomorrows? CBH is driven to satisfy the needs of *today's and tomorrow's growers*, and under the current model there is no other beneficiary other than WA growers. Structures divide the pie up depending on how you want to distribute it. Moving away from the current structure and the closer we get to a corporate model the more beneficiaries are introduced (from tax collector to investors). The more beneficiaries, the less there is for the person using the business/service, the grower."

Wally Newman, CBH Chairman

According to Newman the experience of the demutualisation of the South Australian Co-operative Bulk Handling (SACBH) in the early 2000s provided a good case study. Founded in 1954, SACBH had around 17,365 members by the end of the 1990s, but demutualised to form a hybrid grower-owned business known as AusBulk-United Grower Holdings (UGH). By 2004 AusBulk-UGH had merged with the Australian Barley Board (ABB) and became a publicly listed company known as ABB Grain Ltd. At its height ABB Grain had around 16,300 members, employed over 1,100 people and managed over 4 million tonnes of storage capacity. However, by 2009 it had been acquired by the Canadian company Viterra only to be taken over by Glencore Grain in 2012. In each case a relatively few investors made good returns to their share capital, but the growers lost control and ownership.



The transparency of the performance of the board and management is a big point of difference between a co-op and a listed entity through its share price. The key challenge is to ensure members can critique and understand the performance of their co-op, directors and management with a proxy measure, factual information and strong communication".

"Where I want to see CBH go to is a global player that fully and materially adds value to WA grain growers to enable them to stay globally competitive. To be able to do that you need to access the value chain collectively in a way that an individual grower cannot".

Brian McAlpine, CBH Director

In many ways the AGC-GrainCorp bid offered the CBH board another opportunity to better explain the benefits of the co-operative business model and compare it against a range of alternative business models including full demutualisation and public listing. The recent experience of CBH responding to the AGC-GrainCorp demutualisation bid also highlights the importance of CMEs in fully understanding their purpose and using this to help remind their members of the role that they play and the benefits that mutuality can offer.

The “Keystone” Role Of CBH Group

CBH is not only Australia’s largest co-operative by annual turnover, it is also one of the most significant agribusiness firms in the nation and a major player in the grains industry. In 2014/15 CBH contributed around \$2.98 billion to the WA state economy. It invested about \$1.2 billion into capital projects and it has been estimated that its 4,200 grower members accounted for 25% of the total economic activity of the WA agricultural sector.

CBH also undertakes a range of community and social benefit programs. This includes spending \$1.5 million on sport and recreation, health, safety and the arts via its Community Investment Program. It spent \$880 million on upgrading road and rail transport systems across the 300,000 square kilometre wheat growing areas of the state, that also benefit local communities. A further \$600,000 was donated by the co-operative over the previous four years to charitable organisations such as the Royal Flying Doctor Service, the WA Country Football League, Ronald MacDonald House, Hockey WA and Musicavia (Deloitte Touche Tohmatsu, 2016).

Since its emergence in the depths of the Great Depression, the CBH Group has played a “keystone” role in keeping the WA grains industry competitive. This “keystone” role occurs where a large firm becomes the centre of a wider network or “business ecosystem” and uses its power to help keep the system vibrant and healthy. It may, as in the case of CBH, provide the smaller “niche” firms such as the grain producers, the opportunity to secure access to supply chain infrastructure, services and support that might otherwise be unavailable to them at a competitive cost. Large CMEs such as CBH help to protect the smaller “niche” members and enable them to survive and remain sustainable. They also protect these smaller firms from “dominator” firms that typically come from overseas to take over the entire industry and reduce competition, often forcing the smaller “niche” firms to become price takers.

CBH has survived another significant challenge to its mutuality and the board and its membership have had an opportunity to assess the costs and benefits of the co-operative business model. The final decision to remain a co-operative keeps CBH as a major player within the Australian grains industry with no other purpose than to work for the benefit of its members.



These are your lobsters, your market, your clients, your offices, your facilities, your staff, your strategy, your future and your co-operative.

Fishing Industry Case Study: Geraldton Fishermen's Co-operative²



The Australian fishing industry encompasses a range of commercial fishing activities engaged in the capture of wild ocean fish and other seafood. In 2016 the industry was estimated to have around 5,150 businesses with a combined annual turnover of around \$1.5 billion.

The industry is highly exposed to international competition and has been facing rising competition from cheaper imports as well as the growth of farmed fish from the aquaculture industry. However, strong demand, particularly from Asia, has helped the industry grow by an annual rate of 2.3% over the past five years.

One of the most important products produced by the Australian fishing industry is rock lobster, which comprised 40% of the total value of the national fish catch in 2015/16. The global price for rock lobster has increased in the past five years due to rising demand. Compared to the other major fish catch segments, rock lobster has remained highly profitable.

Sustainably Harvesting The “Diamonds Of The Sea”

The Geraldton Fishermen's Co-operative (GFC), headquartered in Geraldton WA, is one of the largest fishing operators in Australia, with annual sales of around \$366.6 million in 2016. The company employs over 200 people. It is focused on the export of Western Rock Lobster and produces frozen, raw, cooked and live rock lobsters, primarily for exports to China, Japan, Taiwan and the United States.

The co-operative was established in 1950 by a group of local fishermen with the purpose of marketing rock lobsters internationally. It has a board of 8 directors, including 6 elected members and 2 appointed independents, and distributes dividends to members based on patronage.

² This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation.

Around 65% of all fish and seafood caught in Australian waters is exported. China has become a major market for rock lobster and this has significantly assisted GFC to secure a strong position in the live lobster export trade. Over the past five years GFC has seen its annual turnover increase by an average of 28%.

GFC is investing \$20 million into a new facility in Welshpool in Perth, opened an office in China, and recently built live lobster distribution centres in Guangzhou. It will open two more in Shanghai and Beijing.

The co-operative plays a critical role in maintaining the sustainability of the Western Rock lobster fishery. Commercial rock lobster fishing in WA has been undertaken since the 1940s but improvements in fishing technologies that were introduced in the 1990s and early 2000s enabled fishermen to catch lobster with greater ease and efficiency. This began a decline in the stocks of baby lobsters, raising concerns over the future sustainability of the industry amongst many fishermen.

Rather than seeking higher quantities of rock lobster, it was the view of many in the industry that ‘value’ of catch was more important than ‘volume’. Perhaps surprisingly, the catch taken by commercial rock lobster fishermen in WA is usually less than the quota set by the state fisheries authority. For example, in 2015 the WA Department of Fisheries offered a quota in excess of 8,000 tonnes, but the fishermen voluntarily restricted this to 6,000 tonnes. Their philosophy was that rock lobsters are highly valuable and in demand. In essence the rock lobsters are the “diamonds of the sea” and over supply is only going to negatively impact price as well as fishing efficiency and sustainability:



So the role we've played in that is certainly as their advocate, but also in driving a cultural change away from high risk/high-volume, towards low risk/high value. And the export market certainly responds to scarcity, not to abundance... it has certainly built our confidence so we know we have got a firm foundation, which is underpinning these investments we are making both here and in China. So it is a great success story and the key to it is, it was totally driven by fishermen, not the other way around.

Wayne Hosking, CEO GFC

Although not all commercial rock lobster fishermen agreed with this “value over volume” strategy, it was a decision taken at the board level as being in the best interests of the majority of members. This required the board and the management to engage with members to help educate them towards the longer term view.

Making The “Member Value Proposition”

Like any small business, fishermen have to invest in their own enterprise and take on the risk and cost of remaining in the industry. To remain competitive commercial fishermen must pay for their fishing licenses and keep their boats and equipment up to date with the most advanced technologies. Profit margins are typically thin across the Australian fishing industry with fuel, bait and fishing gear being major operating expenses.

For GFC the ability to retain the loyalty of their members is contingent on the co-operative being able to offer its members value, in particular financial benefits.



Remember in one sense we are a successful company, in another we are a house of cards, as none of our members have to be here tomorrow; they can leave whenever they like and so, in terms of long term supply, we talk about sustainability in the fishery, but in terms of actual supply of fish, we have no guarantee of anything tomorrow, next month, next season so we exist purely on the basis that fishermen believe they are going to get paid more by being here.”

Wayne Hosking, CEO GFC

The co-operative has around 63% of the lobster catch each season and aims to grow that share of market by offering a compelling value proposition to members and future members. Part of that strategy is its ability to offer competitive pricing and the distribution of profits via a loyalty bonus based on volume of supply if they support the co-op throughout the season. It also includes investing in the marketing and supply chain in order to grow future revenue.

The co-operative has developed a sophisticated logistics management system that sees live rock lobsters taken from sea and transported long distances by road and air from Perth to China. This involves the use of specialised holding tanks, protective packaging, a fleet of refrigerated trucks that keep the lobsters healthy and under less stress during the long road trip from Geraldton to Perth, and then a well-managed cool chain from Australia to overseas distribution centres. The development of its own supply chain in China will also help the co-operative to move further into the marketing channel and sell direct to the consumer via e-commerce, delivering live lobster to their door from local distribution centres. Chinese consumers lack information about the origin and quality of the food they are purchasing, so this will potentially help GFC develop a strong reputation.

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So what we are doing is we are integrating into the value chains so we still have all the same requirements back here, but we are cutting out the middle man you might say and we are building our own path to the consumer. At the moment most of our product still goes through to a handful of big seafood importers and they have the tanks, they have the distribution and so forth whereas we are now building our own capabilities.

Wayne Hosking, CEO GFC

This expansion into China is a major opportunity for GFC and helps the co-operative to add considerable value to its brand, the product it sells, and therefore the longer term returns to its members. It is a strategy that few of the smaller seafood exporters in Australia could undertake, so it will potentially make a stronger member value proposition (MVP) and help to differentiate the co-operative from these competitors. The challenge for the co-operative was to get members to look long term, what is often viewed as a “horizon problem”.





Fishermen have their daily price and then their annual loyalty bonus payment. And then, as we said before, there is the longer-term horizon, looking at the company's strategic direction into the future, and we need to bring our members along with this. The non-fishing investor has different drivers to fishermen, and those are the value of their asset over time and the return on that investment, usually expressed as an annual lease payment. But they don't necessarily relate these to the co-op's performance and how that influences capital value and lease returns, but clearly our sales and marketing performance has a huge impact on these. How we develop the China market and how much we return to the fishermen in terms of beach price directly affects the value of the asset and the return on investment. You can see that over the last five years as beach prices and so forth have tripled and obviously, the capital value has increased and so forth not surprisingly. But some investors can be distracted by short term offers from our competitors, you know, someone wants to pay them more to secure the lease pot, so it is much harder to make the link between the co-op's performance and the benefits to a pure investor but they are there."

Wayne Hosking, CEO, GFC

The signing of a Free Trade Agreement between Australia and China is viewed as a major benefit to GFC. The co-operative was actively involved in these free trade negotiations because more than 90% of its export trade has been going to China in recent years. Over the next five years the Chinese tariff barriers will be lowered and this augurs well for the co-operative's export activity.

GFC recently arranged an intensive tour of the China seafood market, taking 40 members and industry investors to 5 cities in 8 days so that they could better understand GFC's strategic plans and ambitions in the world's largest and fastest growing seafood market. This kind of stakeholder engagement is an important part GFC's overall strategy.



These are your lobsters, your market, your clients, your offices, your facilities, your staff, your strategy, your future and your co-operative".

Wayne Hosking, CEO, GFC



We are not targeting younger people who don't care
– I'm not sure they exist. We are targeting people
who do care.

Financial Services Case Study: Bank Australia³



The Australian financial services sector encompasses a range of businesses including foreign and domestic banks, credit unions, building societies and customer owned banks. The most dominant firms are the four major domestic banks, which together control around 78% of the national financial services market.

The ACMEI⁴ research project identified 100 CME financial services firms operating in Australia in FY15/16; 19 were customer owned banks, 67 were credit unions, 3 were building societies and 11 were Friendly Societies or specialist insurance mutual enterprises. Their combined annual turnover in FY14/15 was approximately \$7.2 billion.

Competitive Market Pressures And The Financial Services CME

The level of market concentration within the Australian financial services sector is high. This concentration has increased significantly over the past decade due to mergers and acquisitions by the major banks. Most of the former state owned and regional banks have been acquired. There has also been some consolidation within the financial services CME sector over the same time period. Intense competition and the need for greater economies of scale, has seen the number of credit unions fall by nearly 50% over the past decade. This also occurred within the building societies sector with many either merging, winding up or converting to customer owned banks. According to IBISWorld:

3 This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation

4 The Australian Co-operative and Mutual Enterprise Index (ACMEI) commenced in 2012 with the first data collection process in 2014 undertaken in conjunction with the Business Council for Co-operatives and Mutuals (BCCM)



A large reason for the exits has been the launch of the Competitive and Sustainable Banking System by the Federal Government in 2010. This initiative to open up competition in the banking sector invited many mutuals, particularly those which already met the minimum requirements, to apply for bank status.”

The outlook for the financial services sector overall is positive with annualised turnover growth of around 8.3% forecast for the period out to 2020/21. For the credit union the outlook is for a modest annualised growth in turnover of about 3.7%, with many converting to customer owned bank status. By comparison the building society sector is predicted to fall by 3.7% due to mergers, acquisitions and exits.

Bank Australia, The Nation’s First Mutual Bank

Headquartered in the Melbourne suburb of Kew, Victoria, Bank Australia traces its origins to the creation of the CSIRO Co-operative Credit Society Ltd in 1957. The company became the first mutual bank in Australia in 2011 when it secured a banking licence from APRA and the Reserve Bank of Australia (RBA). The change of name from bankmecu to Bank Australia took place in 2015.

In 2016 Bank Australia had 125,327 members, around 370 employees, and branches in Victoria and NSW. Its annual turnover for FY14/15 was \$162.6 million with total assets of \$3.6 billion. In 2016 it had reached over \$4 billion in total assets and a net profit of \$22.6 million. Its services include the full range of banking transactions. It also offers superannuation, health insurance, general insurance, financial planning and foreign exchange dealing. Bank Australia is governed by a board of 8 directors.

Embracing Mutuality For Competitive Advantage

Faced with increased competition from a highly competitive financial services sector Bank Australia has chosen to embrace its mutuality and emphasise its customer owned banking status.



Our purpose is to create mutual prosperity for our customers in the form of positive, economic, personal, social, environmental and cultural outcomes.”

Bank Australia developed a strategic plan to take them through to 2020. Part of this strategy was the decision to focus on a few “non-negotiables” that will help to define the business. These include responsible banking, customer ownership and creating and protecting value for the customer.



Our core business is retail banking and we are in business for our customers who own the bank and by living our values we will achieve our vision. Now the next thing then was the purpose, which you have heard. Our vision – to be Australia’s leading customer owned responsible bank and then we go through values and our target market.”

Bank Australia, 2016

Bank Australia is actively engaging with its members to communicate what customer owned banking is about and the benefits it offers. Promoting the purpose of the CME and its democratic, member focused business model, is a key way for co-operative and mutual enterprises to secure a competitive advantage within contested markets.



I think over the years we have learnt that there is a group of people who choose to bank with either a credit union or a customer owned bank for some quite specific reasons and what we have actually learnt, I guess as a consequence of that growth and those mergers, is that there is value in customer owned organisations aligning their businesses and their strategies to the values of those people who value those values.”

Bank Australia, 2016

Market research undertaken by Bank Australia has shown that there is a target market of customer who are attracted to the mutual due to its values and purpose. At least 50% of this target market are strongly attracted to the bank's values, with price or value for money, in second place. While many within the wider business community and even within the CME sector feel that younger people don't know about or even care about CMEs, this view was not relevant to the strategy of Bank Australia:

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So I hear that often that younger people don't care. Sixty percent of our new customers in 2016 are under 39 years old. We are not targeting younger people who don't care – I'm not sure they exist. We are targeting people who do care. At the end of the day we are a niche provider... Our strategic plan is very focused: we know where we want to do business; we know where we don't want to do business; we know what our purpose is and how we create value."

Bank Australia, 2016



Focusing On Generating Member Value

Bank Australia actively measures how its interest rates, fees and charges compare with the “big four” banks. However, while the company seeks to remain competitive in this respect it also aims to promote its social and environmental policies:



I think another one that’s a tangible benefit in terms of our customer value proposition is also the service culture in the organisation... the customers just tell us how much they love the staff and the service standards that they get from the business. That doesn’t mean that we get everything right all of the time, but it is one of those tangible benefits that form part of your member value proposition.”

Bank Australia, 2016

Where customers were already happy to join the bank for its competitive pricing and excellent service, it was likely that their loyalty would be further strengthened by engaging them in the wider purpose and values espoused by the bank:



And if you have people who love banking with you not just because of the price and the service that they are getting, but because the values are aligned to theirs and they are proud to be a customer or a member of the bank, that goes a long way to adding deeper, richer and longer term relationships.”

Bank Australia, 2016

Bank Australia’s market research suggests that a key factor in driving member satisfaction is a sense that “the bank looks after my best interests”. This is likely to help foster a strong sense of ownership among members. An illustration of this was a request by the bank’s marketing staff for members to volunteer for advertising messages highlighting customers’ good news stories. 138 customers volunteered to participate, many saying that they would “like to stand proud and be the face of the bank in our advertising” (Bank Australia, 2016).

Democracy, Member Voice And Community Of Purpose

Bank Australia invests up to 4% of its after-tax profits into community projects and it has engaged with its members over what projects to target. This work highlights what Bank Australia sees as its development of a community of interest or purpose. This is often quite broad and is driven by things that its member-customers feel are important beyond just getting good prices and services.



Our corporate affairs team, through their stakeholder engagement work, regularly surveys our customer base to understand what that community of interest, what those interests are. So, we know at any one time what the top five, ten, interests of our customers are. The top one being at the moment renewable energy, the second one being climate change and then it moves to issues like domestic violence and access to education in lower socioeconomic communities which gives us that purpose that can underpin the bank both in terms of the lending that we might do, but also in terms...[of] the investments that we might make to our community investment fund. So it is a very focused and strategic way of being able to allocate funds. The other part of that process is that it gives us then the opportunity to be able to be quite focused and disciplined in how we report back to the customers, not just purely in financial terms, but in non-financial terms around the impact that the bank can have using people's money."

Bank Australia, 2016

This approach to offering not only good service and competitive pricing, but the ability to become part of a larger community of purpose, has helped Bank Australia recruit new customers. As the bank has actively promoted its "MOCA" (Marketing our Co-operative Advantage), the number of new customers joining the bank has increased to record levels. At least half of these people said that they had been motivated to become a customer because there was an alignment between their own personal values and what they saw as the values of the bank. At one branch located close to the University of Melbourne and RMIT many young university students were opening accounts because of the values of the bank and its stated decision not to invest in the fossil fuels industry.

“MOCA” Is Becoming A Trend Amongst Financial Services CMEs

Bank Australia has made a strategic decision to embrace its mutuality, and focus on being different from mainstream banking. It has tapped into what seems to be a growing segment of the community that wants an alternative. This appears to be people who are socially aware and concerned about making positive change both in economic and social terms. Environmental awareness is also important and the bank’s values are already becoming an attractive proposition for many new members. Bank Australia also feels that this embracing of mutuality and the promotion of the “MOCA”, is something that is already becoming accepted across the financial services CME sector:



I think while we have the first mover advantage, we have been really pleased to see a number develop their organisations along similar positioning to ours. So I just think that whether mutual ADIs have seen value in our proposition and they have sought to build that in terms of their own context, their own organisation, I think that actually helps to strengthen and build the resilience in the mutual banking sector. So I would be quite pleased to see many of them come back to understand what their purpose is and how they create value for their customer owners.”

Bank Australia, 2016



One area of future focus for CEHL is to engage with “empty nesters”, couples with large, family-sized homes that they no longer feel they can maintain or wish to occupy since their children left home. Such people may be interested in becoming housing co-operative members.

Housing Industry Case Study: CEHL⁵



Australia is a nation that has often prided itself on high levels of home ownership. The ability to own a home of your own is a key plank in helping people build stable lives and long term wealth. It represents the “great Australian dream”. However, house prices, particularly in the major cities have risen significantly over past decades making housing affordability a major problem for many lower income households and first home buyers. For many people living in Australia’s major cities the rising cost of homes, mortgages and rents has placed them under “housing stress”, with increasing numbers of people paying more than 30% of their gross income on mortgages or rents.

Co-operative Housing – A Model For Affordable Homes

The challenge of finding affordable housing is not unique to Australia. It is a problem around the world and has been addressed by a range of different business models. While housing co-operatives have a strong presence and a long history in other countries they are less well known in Australia. Although there were housing co-operatives established in Australia in the 19th Century, their development did not spread and they were not given much attention by state governments until the late 1970s and early 1980s.

Today there is a greater awareness and appreciation of the housing co-operatives sector in Australia. A review of the affordable housing sector undertaken in 2008 by the University of Western Sydney identified 37 housing co-operatives in NSW and 110 in Victoria. At least 291 active housing co-op businesses were identified for this year’s ACMEI⁶ study. Of these 146 are located in Victoria, 56 in NSW, 31 in South Australia, seven each in WA and Tasmania, and two in the ACT. However, to put this into context in the United States housing co-operatives accommodate around 1.2 million households, while in Sweden, housing co-operatives comprise about 20% of the total housing market.

5 This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia’s Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation

6 The Australian Co-operative and Mutual Enterprise Index (ACMEI) commenced in 2012 with the first data collection process in 2014 undertaken in conjunction with the Business Council for Co-operatives and Mutuals (BCCM)

The key objectives that guide housing co-operatives are affordability, participation and community responsibility. By collectively uniting the available capital of the members, or combining private and public funding, co-operatives can help to keep the cost of housing within reach of people who might not otherwise have the chance to secure housing. Co-operative housing also seeks to engage the members into a process of participation in the collective management of the properties in which they live. This fosters a sense of ownership that can help to alleviate the lack of engagement by tenants, and thereby help to maintain the properties and foster a strengthening of social capital within the community.

At least three general business models exist for housing co-operatives in Australia. The first are full-equity housing co-operatives in which the business is funded entirely by its members who raise the capital themselves and hold title to the property. Under this model an incorporated business structure is created and members trade their share capital at market rates, although the ownership of the housing remains with the co-operative. The second are shared equity (limited equity) housing co-operatives. These are often funded with a mix of private member capital and public funding. As with the “full-equity” model, members have the right to trade their shares, but the board of the co-operative can determine the share price. The third type are common equity (non-equity) rental housing co-operatives. This type is usually funded by the government housing authority and member occupants are tenants without share ownership rights. The housing is held by the co-operative under “head leases” or “deeds of trust”.

State government involvement in housing co-operatives has been driven primarily by a welfare paradigm with the common equity rental housing co-operative as the most common type. For example, in NSW the state housing authority has been the primary agency that oversees housing co-operatives with a requirement for the majority of residents to be drawn from public housing waiting lists. Attempts to introduce equity-based models such as shared equity housing co-operatives was limited by the state housing authority retaining ownership of the properties. In 1989 the Association for the Resourcing of Co-operative Housing (ARCH) was established in NSW with the purpose of developing the not-for-profit co-operative housing sector. With state government support ARCH was formed into Common Equity NSW Ltd (CENSW) as a not-for-profit company limited by guarantee. This currently manages 500 properties under a delegated model through which 33 housing co-operatives work with CENSW.

In South Australia housing co-operatives are incorporated and registered under the South Australian Co-operative and Community Housing Act 1991. This governs the way that both co-operatives and community housing associations operate in their role as landlords and the tenancy agreements they have with tenants. The co-operative principles are often used to guide dispute resolution and avoid conflicts, while maintaining good relations.

The Emergence Of CEHL, The Housing Co-operatives' Co-operative

Victoria has the largest concentration of housing co-operatives in Australia due to the approach taken by that state government to establish the Common Equity Rental Co-operative (CERC) program in 1987. The aim of this program was to make affordable housing available to low income earners at rental levels they could sustain, and to give them the ability to manage and control their property on a secure basis via the co-operative business model.



The CERC Program philosophy recognises that stable housing is fundamental to peoples' well-being. It follows social justice principles that housing should be affordable, accessible, and sustainable. It also promotes co-operation and the sharing of responsibilities between individuals as a path to building communities. Members benefit in many ways from CERC participation. They share the values of individual responsibility, mutual help, democracy, equality, equity and solidarity. Participation also provides levels of accountability that confirm the structural integrity of the Program. This provides confidence for expansion and greater impact as a viable alternative housing model."

CEHL, 2008, p.4

Coinciding with the establishment of the CERC program was the formation of Common Equity Housing Limited (CEHL) in 1986. CEHL is a registered affordable housing association owned by its shareholder member housing co-operatives or CERCs. The purpose of CEHL was to acquire the properties that could be used by its CERC members to provide common equity rental housing.

CEHL owns the properties which are leased to members of housing co-operatives. The original focus of CEHL and the CERCs was on the provision of housing to very low income tenants who might otherwise seek public housing, and also those with specific needs such as physical disability or cultural requirements like refugees. More recently CEHL has begun to focus on shared or even full-equity housing models.

For the first decade of CEHL's history its primary focus was on providing support to the co-operative housing program. At least 65% of the tenants entering the co-operative housing had to be eligible for public housing assistance. Over the last eight years CEHL has experienced a period of rapid growth, widened its tenancy model to include aged accommodation and a more balanced and sustainable mix of lower income and moderate income households. The aftermath of the Global Financial Crisis and the increasing challenge of providing affordable housing has stimulated change.

In 2015/16 CEHL owned a portfolio of 2,200 properties that housed 5,200 people. It employs 52 people, has turnover around \$21 million and managed assets of \$756.3 million. CEHL serves as a "hub" for 112 CERC housing co-operatives in Victoria. It is governed by a board of 10 directors, with five elected from the membership and five appointed at independent directors with specific technical skills.



Bruce and Sally Fraser from Rainbow Eight Common Equity Rental Housing Co-operative Ltd (CERC) in Bendigo.

Redesigning The CEHL Business Model For The 21st Century

CEHL has a vision of being “a successful promoter and facilitator of secure, affordable co-operative housing” that can provide “real opportunities for member participation”.

The business model of CEHL is quite different to many other CMEs because its members are other co-operatives. As such the ability of CEHL to fulfil its purpose and deliver value to members is contingent on how well it can manage a relatively large number of smaller co-operatives.

The directors of CEHL explain that in a strict sense the company is not a co-operative, it is an association whose members are co-operatives. In this regard CEHL has a primary purpose of helping to establish and support a network of housing co-operatives. However, it also has a secondary purpose of ensuring that the members of its member co-operatives can access affordable, secure and effective housing and then use this to build their lives and foster enhanced social capital and community or neighbourhood responsibility.

CEHL is engaged in an evolutionary redesign of its business model. This has commenced with a process of communication designed to highlight its role and in particular the positive impact that co-operative housing has on the lives of the people who live in these homes. It has also begun to widen its focus to include a range of members such as people with disability and older persons. There are discussions about adopting a form of shared equity model.

One area of future focus for CEHL is to engage with “empty nesters”, couples with large, family-sized homes that they no longer feel they can maintain or wish to occupy since their children left home. Such people may be interested in becoming housing co-operative members.

Co-operative Housing Offers Solutions To Australia’s Failing Housing System

Beyond providing a larger portfolio of stable, quality rental housing, CEHL could scale up co-operative housing to provide solutions for people unable to afford to buy a home in a location suitable for them for work and study but may be able to participate in a shared equity scheme; people who want to pool their resources to achieve more appropriate and sustainable design to cater to their disability or passion for improved environmental outcomes.

Looking to the future CEHL has a strong asset base from which to grow, and the management and board leadership to implement its future strategy. This will focus on the core purpose of ensuring long-term, secure and affordable housing underpinned by a sustainable financial business model. CEHL sees itself as a “custodian of community assets” and its purpose as being not just about money, but the provision of homes and stable, secure futures for their occupants. This helps foster social capital and enhances people’s lives.



Sunrise Cases

Three new co-operatives illustrate the diversity and innovative application of the CME business model to sunrise industries in renewable energy, water infrastructure and professional services.

Hepburn Wind Park Co-operative⁷

Hepburn Wind Park Co-operative is an energy co-operative established in 2007. It is located near the town of Daylesford approximately 100 kilometres north west of Melbourne. The co-operative manages a 4.1MW wind farm with two wind-turbines, that generate power to service the needs of more than 2000 homes. The co-operative is governed by a board of seven volunteer directors.

Hepburn Wind is one of 52 community energy enterprises in Australia. Its origins can be traced back to 2005 when a wind farm developer held a community meeting to establish a large-scale wind turbine power facility in the Central Highlands region. This initiative was blocked by opposition in the local community but it seeded the idea for a smaller scaled wind farm which utilized the successful Danish wind co-operative model.

Per Bernard, a local architect, formed a steering group and sought to engage a wind park development company to help create a local wind turbine farm in the area. But most developers were unwilling to engage with a small-scale project, and the community seeking to build the project lacked both money and experience. However, the project was eventually supported by Victorian based wind power developer Future Energy. Since then Future Energy has completed a further project, the Chepstowe Wind Farm near Ballarat, which commenced operations in April 2015.

Future Energy agreed to take on the majority of the early financial risk associated with the project in return for a development fee. The vision of a community-owned wind farm led to the creation of the co-operative with the assistance of the Hepburn Renewable Energy Association, now Sustainable Hepburn Association – Renewing the Earth (SHARE). The role of SHARE was to help enlist community support for the project.

SHARE quickly recruited over 200 members who invested \$10 each to purchase shares in the new co-operative. This served as a catalyst within the community and membership soon began to build with more than 30 new member subscriptions each month. Today the co-operative has around 2000 members who contributed \$9.8 million to the construction of the wind farm. Further support came from the Victorian state government. An application for funding secured a grant of \$975,000 to help move the project to completion. State government grants have amounted to over \$1.7 million and the Bendigo Bank has contributed a loan of \$3.1 million.

⁷ This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation

The creation of the co-operative came about as a result of the community deciding that the co-operative business model was the most appropriate structure for the project.



Technically, co-operatives are run primarily for the benefit of their members whereas companies are run to maximise the return on investors' capital. In Hepburn's case, while members expect to receive dividends from a profitable wind farm, they also want the benefit of producing emissions-free electricity as well ensuring benefits for the entire community."

Wise, 2016

Hepburn Wind has four local part-time employees and has enhanced the capacity and skills base within the local community. A Community Fund has been established to share the benefits from the wind farm with the neighbourhood, and dividends will be paid to members, although the co-operative is committed to keeping ownership in local hands and thereby retaining any economic benefits within the community. Power generated from the turbines is retailed through Powershop which is collaborating with Hepburn Wind to help develop future energy projects locally.



Pioneer Valley Water Co-operative (PVWater)⁸

The Pioneer Valley Water Co-operative Ltd (PVWater) is a not-for-profit business located in North Queensland near the coastal city of Mackay. It is a service provider that distributes water for irrigation purposes to 200 members, and 50 non-members, located throughout the Pioneer Valley catchment. It is one of at least 36 water or irrigation co-operatives currently operating in Australia. Of these 14 are located in Victoria, nine in Queensland and six each in NSW and WA. PVWater is governed by a board of five directors, of which three are active member directors and two are appointed independent directors.



Through membership, local irrigators are able to participate in the management of the infrastructure through which they take their water. Distribution efficiency is improved because members and directors have intimate knowledge of the local operating environment, and share that knowledge with operators. In this way the goals of the business and those of customers are more closely aligned.”

Greg Dawes, Acting CEO, PVWater

PVWater has its origins in the creation in 1996 of the Pioneer Valley Water Board, a statutory authority. In March 2016 the water board was converted into a dual co-operative structure consisting of PVWater and Pioneer Valley Water Mutual Co-operative Ltd (PVMutual). PVWater was subsequently registered as a service provider under the Water Supply (Safety and Reliability) Act 2008, and issued with a water distribution operations licence. The co-operative distributes up to 47,390 megalitres of water for irrigation of agricultural land, primarily sugar, but also some irrigated pasture and cover crops. Water is sourced from headwater stream flows into the Pioneer Valley, and supplemented when required from Teemburra Dam.

The co-operative distributes water via a network of pipelines, earth channels and natural watercourses, with pumping stations assisting with diversion into supplemented streams. A gravity-fed high pressure pipeline reticulation scheme also operates from Teemburra Dam. PVWater’s distribution network is controlled using automation and this enables a relatively small staff of five. Beyond the distribution of irrigation supply, PVWater is engaged by PVMutual to maintain irrigation scheme infrastructure. The infrastructure is owned by water allocation holders via their membership of PVMutual.

⁸ This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia’s Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation

ArchiTeam⁹

ArchiTeam is a shared services co-operative headquartered in Victoria, and also registered in Queensland, that aims to be the leading representative of small, independent architecture practices across Australia. Founded in 1991, ArchiTeam now has more than 500 members and is a major advocacy group for the small architectural practices. The co-operative's focus is on supporting the common good of all its members and is run "by the members for the members".

The motivation behind the creation of ArchiTeam was the need to provide greater "voice" and support for independent, small architecture practices across Australia. There are approximately 13,300 architectural services firms in Australia that generate a combined annual turnover of \$7.7 billion and approximately \$2 billion in wages. However, there are no major companies present in the sector and the small independent practices are being squeezed by cheaper drafting consultancies that undercut their prices, and also large multi-discipline firms that have been acquiring smaller firms leading to a decline in the number of small independent practices.

Commercial and industrial building projects such as offices, retail complexes and hotels is the largest market segment for architectural services, comprising around 33% of all revenue in FY2014/15. Institutional building projects such as hospitals, universities and aged-care facilities make up around 18% of the market. Other market segments are new single-unit housing projects, domestic home renovations and multi-unit residential building projects. Domestic housing projects for new building or renovations are highly competitive and price sensitive. Competition from building designers and drafts people who offer lower cost services is intense and it is usually time-intensive, low-margin work for architects.

Architects must be registered with each state or territory jurisdiction in which they operate. This serves as an impediment on small, independent firms operating across multiple states. The cost of establishing an architecture practice is relatively low, allowing easy market entry into the sector. This has resulted in few large firms emerging as major players.

ArchiTeam provides its members with a range of services including Professional Indemnity and Public Liability insurance. It also helps to collectively market the small architecture practice by offering a "Find An Architect" search facility on its website, and peer to peer networking amongst its membership. The co-operative offers discounted continuing professional development (CPD) education programs and an advocacy role for its members and the wider industry.

⁹ This is a summarised version of a longer case study by Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2016), found in Australia's Leading Co-operative and Mutual Enterprises in 2016: CEMI Discussion Paper Series, DP 1601. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation

Chapter 4

Tables and Data

APPENDIX A: AUSTRALIAN TOP 100 CME BY ANNUAL TURNOVER FY2014-2015

RANK	NAME	STATE	TURNOVER (AUD \$)	EBIT (AUD \$)	NPAT (AUD \$)	TOTAL ASSETS (AUD \$)
1	Co-operative Bulk Handling Ltd	WA	3,719,985,000	75,099,000	82,732,000	2,169,170,000
2	Murray Goulburn Co-operative Co Ltd	VIC	2,871,884,000	22,984,000	21,246,000	1,840,584,000
3	Hospital Contribution Fund (HCF)	NSW	2,381,977,000	156,041,000	155,288,000	1,881,257,000
4	Capricorn Society Ltd	WA	1,412,169,000	22,012,000	15,932,000	281,400,000
5	HBF Health	WA	1,405,386,000	79,861,000	79,993,000	1,595,927,000
6	Australian Unity	VIC	1,282,397,000	63,669,000	34,553,000	4,331,639,000
7	Members Equity Bank Ltd (ME Bank)	VIC	1,226,699,000	111,086,000	79,723,000	21,208,295,000
8	RACQ	QLD	1,110,344,000	70,004,000	50,225,000	2,478,085,000
9	RAC WA	WA	660,781,000	12,583,000	19,501,000	1,635,204,000
10	RACV	VIC	559,300,000	143,300,000	126,500,000	1,987,100,000
11	NRMA	NSW	532,493,000	73,350,000	63,012,000	1,279,514,000
12	Credit Union Australia (CUA)	QLD	512,826,000	65,653,000	48,814,000	11,987,759,000
13	Norco Co-operative Ltd	NSW	510,909,000	3,105,000	2,714,000	176,428,000
14	Teachers Federation Health Fund (Teachers Health Fund)	NSW	485,701,931	22,355,411	22,355,411	369,041,036
15	Namoi Cotton Co-operative Ltd	NSW	422,258,000	9,102,000	6,309,000	195,423,000
16	Newcastle Permanent	NSW	403,721,000	50,829,000	36,469,000	8,874,025,000
17	Avant Mutual Group	NSW	396,887,000	88,249,000	66,109,000	2,011,010,000
18	People's Choice Credit Union (Australian Central CU)	SA	392,120,000	36,563,000	25,659,000	6,895,106,000
19	Tyrepower Group	VIC	382,190,000	NA	NA	NA
20	Heritage Bank Ltd	QLD	378,017,000	48,009,000	33,605,000	8,557,273,000
21	GMHBA Limited	VIC	376,534,000	23,137,000	23,137,000	286,557,000
22	Geraldton Fishermen's Co-operative Ltd	WA	360,727,324	1,754,862	1,697,513	116,437,628
23	East Yarra Friendly Society Pty Ltd	VIC	359,205,000	119,787,000	97,195,000	918,584,000
24	CBHS Health Fund Limited	NSW	336,234,000	17,218,000	17,218,000	240,018,000

RANK	NAME	STATE	TURNOVER (AUD \$)	EBIT (AUD \$)	NPAT (AUD \$)	TOTAL ASSETS (AUD \$)
25	Independent Liquor Group Distribution Co-operative	NSW	334,704,000	NA	NA	NA
26	RAA SA	SA	319,306,000	21,987,000	17,168,000	429,512,000
27	Northern Co-operative Meat Co. Ltd	NSW	301,813,000	23,419,000	17,952,000	134,493,000
28	WA Meat Marketing Co-operative Ltd (WAMMCO)	WA	286,752,000	6,898,000	6,109,000	83,858,000
29	Greater Bank (formerly Greater Building Society Ltd)	NSW	284,290,000	49,640,000	34,950,000	5,401,249,000
30	CUSCAL	NSW	277,900,000	15,200,000	10,600,000	2,277,100,000
31	Teachers Mutual Bank Ltd	NSW	258,759,000	42,219,000	30,063,000	4,862,358,000
32	IMB Limited	NSW	254,279,000	45,294,000	32,499,000	4,975,163,000
33	Beyond Bank (Community CPS Australia Ltd)	SA	235,328,000	31,712,000	22,807,000	4,383,059,000
34	EML (formerly Employers Mutual Ltd)	NSW	230,203,000	13,363,000	6,698,000	302,609,000
35	AlmondCo Ltd	SA	200,000,000	NA	NA	NA
36	Independent Liquor Group Suppliers Cooperative Ltd	NSW	196,171,000	NA	NA	NA
37	P&N Bank	WA	196,154,000	11,858,000	9,319,000	3,064,433,000
38	Westfund Health Ltd	NSW	169,881,097	4,011,481	3,662,287	162,540,313
39	Bank Australia (formerly bank mecu)	VIC	167,845,000	32,507,000	23,955,000	3,577,419,000
40	Queensland Country Credit	QLD	158,790,000	13,570,000	11,387,000	12,891,661,000
41	Australian Scholarship Group Friendly Society	VIC	156,533,000	10,966,000	(2,677,000)	1,676,080,000
42	Latrobe Health Services Ltd	VIC	154,815,934	6,626,359	6,626,359	190,057,664
43	Qudos Bank (formerly QANTAS Credit Union)	NSW	150,225,000	2,102,000	14,739,000	3,126,819,000
44	Dairy Farmers Milk Co-operative Ltd	NSW	140,103,000	1,602,000	693,000	21,032,000
45	Plumbers' Suppliers Co-operative Ltd	NSW	136,027,000	NA	NA	NA
46	Health Insurance Fund of Australia	WA	131,058,150	(1,120,442)	(1,120,519)	115,485,536
47	Queensland Teachers Union Health Fund	QLD	128,020,327	(3,678,238)	(3,678,238)	118,579,381
48	Health Partners Ltd	SA	127,563,000	6,662,000	6,662,000	130,179,000

APPENDIX A: AUSTRALIAN TOP 100 CME BY TURNOVER FY2015 [Continued]

RANK	NAME	STATE	TURNOVER (AUD \$)	EBIT (AUD \$)	NPAT (AUD \$)	TOTAL ASSETS (AUD \$)
49	University Co-operative Bookshop Ltd	NSW	123,912,862	(3,951,423)	(3,951,423)	68,884,790
50	Peoplecare Health Insurance	NSW	121,244,620	8,429,101	8,429,101	87,992,007
51	Victoria Teachers Mutual Bank	VIC	106,677,000	21,216,000	14,966,000	2,022,619,000
52	Railway and Transport Health Fund	NSW	97,289,000	2,168,000	2,168,000	73,300,000
53	Medical Indemnity Protection Society Ltd (MIPS)	VIC	94,436,000	22,567,000	20,211,000	468,713,000
54	Police Bank	NSW	92,238,464	16,604,678	11,711,341	1,525,268,351
55	St Luke's Medical & Hospital Benefits Association Ltd	TAS	91,318,000	NA	NA	NA
56	NSW Sugar Milling Co-operative	NSW	87,463,000	NA	NA	NA
57	Defence Bank	VIC	85,270,000	12,408,000	8,743,000	1,608,470,000
58	MDA National	WA	84,201,591	22,509,078	14,902,223	377,902,000
59	QTMB	QLD	78,357,000	9,033,000	6,663,000	1,391,129,000
60	Hastings Co-operative	NSW	74,780,797	600,853	638,552	20,981,424
61	Bananacoast Community Credit Union	NSW	73,682,000	10,745,000	7,674,000	1,462,602,000
62	StateCover Mutual Ltd	NSW	72,489,000	10,923,000	10,923,000	431,361,000
63	Police Credit (BankVic)	VIC	71,273,000	13,905,000	9,795,000	1,364,102,000
64	CEHL	VIC	70,459,419	55,782,254	55,782,254	756,271,004
65	Community Co-op Store (Nuriootpa) Ltd	SA	67,573,132	1,226,776	861,882	47,945,341
66	OZ Group Co-op	NSW	65,630,036	735,931	515,152	16,344,089
67	Centuria Life	VIC	65,558,000	16,343,000	8,561,000	551,347,000
68	Navy Health Ltd	VIC	63,768,000	896,000	896,000	83,567,000
69	Royal Automobile Club of Tasmania	TAS	60,463,967	4,330,510	4,633,629	85,662,149
70	International Macadamias Ltd (Macadamia Processing Co. Ltd)	NSW	59,381,147	1,983,719	2,216,304	28,606,647
71	Australian Military Bank (Australian Defence Credit Union)	NSW	59,004,000	5,752,000	4,001,000	1,068,994,000

RANK	NAME	STATE	TURNOVER (AUD \$)	EBIT (AUD \$)	NPAT (AUD \$)	TOTAL ASSETS (AUD \$)
72	Rapid Group Cooperative Ltd (Rapid Clean)	NSW	58,400,000	NA	NA	NA
73	Yenda Producers Co-operative Ltd	NSW	57,798,509	1,503,874	1,295,906	34,100,660
74	Regional Australia Bank (formerly Community Mutual Limited)	NSW	57,735,000	9,040,000	6,666,000	1,084,250,000
75	UniMutual	NSW	56,938,836	3,360,881	3,077,179	NA
76	CCW Co-op	SA	55,653,413	311,387	265,368	3,841,214
77	Master Butchers Co-operative Ltd	SA	53,443,086	2,492,957	2,554,016	33,808,598
78	Mildura District Hospital Fund Ltd	VIC	50,343,611	2,676,281	2,676,281	84,448,698
79	Gateway Credit Union	NSW	48,569,000	4,146,000	2,840,000	1,045,889,000
80	Hume Bank	NSW	46,736,000	4,678,000	3,275,000	950,392,000
81	Credit Union SA Ltd	SA	46,518,000	5,672,000	4,157,000	877,497,000
82	Police Credit Union Limited	SA	45,287,000	3,609,000	3,609,000	777,960,000
83	Lenswood Cold Stores Co-operative Ltd	SA	44,020,264	(581,865)	(364,983)	22,504,298
84	Community First Credit Union	NSW	43,029,000	22,854,000	2,222,000	764,666,000
85	Maritime, Mining & Power Credit Union	NSW	40,851,879	4,187,238	3,016,000	815,371,011
86	Batlow Fruit Co-operative Ltd	NSW	38,247,000	NA	NA	NA
87	SGE Credit Union (G&C Mutual Bank)	NSW	36,603,000	4,041,000	2,995,000	700,986,000
88	Sydney Credit Union	NSW	34,095,146	2,813,373	2,129,692	810,311,253
89	Wesbuilders Co-operative Ltd	WA	33,230,902	333,145	235,850	2,023,137
90	G&C Mutual Bank / Quay Mutual Bank (Quay Credit Union Ltd)	NSW	32,875,000	4,041,000	2,837,000	723,996,000
91	Queensland Police Credit Union Ltd	QLD	31,816,068	2,656,077	1,868,612	656,758,779
92	Phoenix Health Fund	NSW	29,307,511	276,836	276,836	24,246,583
93	Summerland Credit Union Limited	NSW	28,744,000	4,846,000	3,426,000	602,787,000
94	Maitland Mutual Building Society Ltd	NSW	28,673,000	3,976,000	2,782,000	570,534,000

APPENDIX A: AUSTRALIAN TOP 100 CME BY TURNOVER FY2015 [Continued]

RANK	NAME	STATE	TURNOVER (AUD \$)	EBIT (AUD \$)	NPAT (AUD \$)	TOTAL ASSETS (AUD \$)
95	Railways Credit Union (Move)	QLD	28,481,591	3,632,194	2,558,230	590,691,367
96	Mount Barker Co-operative Ltd	WA	26,893,564	490,670	415,240	13,939,976
97	Holiday Coast Credit Union	NSW	25,982,000	2,190,000	1,544,000	527,883,000
98	Community Alliance Credit Union	NSW	24,441,000	965,000	1,209,000	541,061,000
99	Key Invest	SA	23,443,722	1,133,511	760,071	225,367,709
100	Terang & District Co-operative Ltd	VIC	22,709,839	303,297	228,536	11,198,769

Notes to Table

1. EBIT= earnings before interest and tax. NPAT = net profit after tax. n/a=not available. All values are reported in Australian \$.
2. Turnover for some CMEs has included the total income received by the enterprise as a co-operative or mutual rather than the amount of income accounted for by the enterprise as a business entity.
3. Financial information has been sourced in most cases from company annual reports, and where that has not been available from IBISWorld industry reports. All care has been taken to ensure the accuracy of this data, however, it is possible that some information may be incorrect.
4. Some businesses that appeared in earlier Top 100 reports have been removed as they were unwilling to provide financial information.
5. Member owned superannuation funds are reported in Appendix B.

APPENDIX B: TOP 10 AUSTRALIAN SUPERANNUATION FUNDS 2015 BY TURNOVER FY2014-15

RANK	NAME	STATE	TURNOVER (AUD \$)	ABBT (AUD \$'000)	ABAT (AUD \$'000)	TOTAL ASSETS (AUD \$'000)
1	Australian Super	VIC	22,050,812,000	13,494,454,000	12,275,074,000	94,800,705,000
2	First State Super Fund	NSW	10,102,193,000	6,940,708,000	6,137,306,000	53,634,492,000
3	UniSuper	VIC	9,194,000,000	7,009,000,000	6,429,000,000	50,209,000,000
4	Retail Employee's Superannuation Trust (REST)	NSW	8,589,394,000	7,703,637,000	7,159,099,000	39,358,975,000
5	Sunsuper	QLD	7,358,125,000	4,681,804,000	4,336,197,000	34,354,188,000
6	Health Employee's Superannuation Trust Australia (HESTA)	VIC	6,913,584,000	6,638,334,000	6,120,446,000	33,194,302,000
7	Construction & Building Superannuation (CBUS)	VIC	6,462,056,000	5,961,928,000	5,528,411,000	31,504,860,000
8	HOSTPLUS	VIC	4,101,975,000	3,765,853,282	3,558,319,708	18,192,755,688
9	VicSuper	VIC	3,291,533,000	2,972,098,000	2,802,366,000	15,614,518,000
10	CareSuper	NSW	2,199,356,000	2,071,527,000	1,936,509,000	12,431,212,000

APPENDIX C: TOP 100 AUSTRALIAN CME BY ASSET FY2014-15

RANK	NAME	STATE	ASSETS (AUD \$)	LIABILITIES (AUD \$)	EQUITY (AUD \$)
1	Members Equity Bank Ltd (ME Bank)	VIC	21,208,295,000	20,346,117,000	862,178,000
2	Credit Union Australia (CUA)	QLD	11,987,759,000	11,131,886,000	855,873,000
3	Newcastle Permanent	NSW	8,874,025,000	8,024,883,000	849,142,000
4	Heritage Bank Ltd	QLD	8,557,273,000	8,153,422,000	403,851,000
5	People's Choice Credit Union (Australian Central CU)	SA	6,895,106,000	6,397,320,000	497,786,000
6	Greater Bank (formerly Greater Building Society Ltd)	NSW	5,401,249,000	4,977,606,000	452,725,000
7	IMB Limited	NSW	4,975,163,000	4,683,781	291,382,000
8	Teachers Mutual Bank Ltd	NSW	4,862,358,000	4,471,772,000	390,586,000
9	Beyond Bank (Community CPS Australia Ltd)	SA	4,383,059,000	4,003,647,000	379,412,000
10	Australian Unity	VIC	4,331,639,000	3,788,760,000	542,879,000
11	Bank Australia (formerly bank mecu)	VIC	3,577,419,000	3,165,416,000	412,003,000
12	Qudos Bank (formerly QANTAS Credit Union)	NSW	3,126,819,000	2,901,513,000	225,306,000
13	P&N Bank	WA	3,064,433,000	2,812,971,000	251,462,000
14	RACQ	QLD	2,478,085,000	1,356,671,000	1,121,414,000
15	CUSCAL	NSW	2,277,100,000	2,024,900,000	252,200,000
16	Co-operative Bulk Handling Ltd	WA	2,169,170,000	553,947,000	1,615,223,000
17	Victoria Teachers Mutual Bank	VIC	2,022,619,000	1,857,391,000	165,228,000
18	Avant Mutual Group	NSW	2,011,010,000	997,167,000	1,013,843,000
19	RACV	VIC	1,987,100,000	490,900,000	1,496,200,000
20	Hospital Contribution Fund (HCF)	NSW	1,881,257,000	709,632,000	1,171,625,000
21	Murray Goulburn Co-operative Co Ltd	VIC	1,840,584,000	1,160,345,000	680,239,000
22	Australian Scholarship Group Friendly Society	VIC	1,676,080,000	1,578,698,000	97,382,000
23	RAC WA	WA	1,635,204,000	839,297,000	795,907,000
24	Defence Bank	VIC	1,608,470,000	1,468,258,000	140,212,000

RANK	NAME	STATE	ASSETS (AUD \$)	LIABILITIES (AUD \$)	EQUITY (AUD \$)
25	HBF Health	WA	1,595,927,000	419,432,000	1,176,495,000
26	Police Bank	NSW	1,525,268,351	1,359,151,153	166,117,198
27	Bananacoast Community Credit Union	NSW	1,462,602,000	1,353,418,000	109,184,000
28	QTMB	QLD	1,391,129,000	1,262,757,000	128,372,000
29	Police Credit (BankVic)	VIC	1,364,102,000	1,220,411,000	143,691,000
30	Queensland Country Credit	QLD	1,289,161,000	1,118,692,000	170,469,000
31	NRMA	NSW	1,279,514,000	426,036,000	853,478,000
32	Regional Australia Bank (formerly Community Mutual Limited)	NSW	1,084,250,000	977,176,000	107,074,000
33	Australian Military Bank (Australian Defence Credit Union)	NSW	1,068,994,000	990,357,000	78,637,000
34	Gateway Credit Union	NSW	1,045,889,000	950,941,000	94,948,000
35	Hume Bank	NSW	950,392,000	886,739,000	63,653,000
36	East Yarra Friendly Society Pty Ltd	VIC	918,584,000	605,305,000	313,279,000
37	Credit Union SA Ltd	SA	877,497,000	789,555,000	87,942,000
38	Maritime, Mining & Power Credit Union	NSW	815,371,011	741,092,670	74,278,341
39	Sydney Credit Union	NSW	810,311,253	736,183,348	74,127,905
40	Police Credit Union Limited	SA	777,960,000	714,538,000	63,422,000
41	Community First Credit Union	NSW	764,666,000	696,680,000	67,986,000
42	CEHL	VIC	756,271,004	93,426,973	662,844,031
43	G&C Mutual Bank / Quay Mutual Bank (Quay Credit Union Ltd)	NSW	723,996,000	645,197,000	78,799,000
44	SGE Credit Union (G&C Mutual Bank)	NSW	700,986,000	62,187,000	638,799,000
45	Queensland Police Credit Union Ltd	QLD	656,758,779	584,627,231	72,131,548
46	Summerland Credit Union Limited	NSW	602,787,000	552,418,000	50,369,000
47	Railways Credit Union (Move)	QLD	590,691,367	531,596,830	59,094,537
48	Maitland Mutual Building Society Ltd	NSW	570,534,000	533,778,000	36,756,000

APPENDIX C: TOP 100 AUSTRALIAN CME BY ASSET FY2014-15 [continued]

RANK	NAME	STATE	ASSETS (AUD \$)	LIABILITIES (AUD \$)	EQUITY (AUD \$)
49	Centuria Life	VIC	551,347,000	432,496,000	118,851,000
50	Community Alliance Credit Union	NSW	541,061,000	501,145,000	39,916,000
51	Holiday Coast Credit Union	NSW	527,883,000	489,359,000	38,524,000
52	Medical Indemnity Protection Society Ltd (MIPS)	VIC	468,713,000	192,849,000	275,864,000
53	StateCover Mutual Ltd	NSW	431,361,000	268,321,000	163,040,000
54	RAA SA	SA	429,512,000	207,206,000	222,306,000
55	WAW Credit Union Co-operative	VIC	407,984,663	382,265,849	25,718,814
56	MDA National	WA	377,902,000	206,972,000	170,930,000
57	Teachers Federation Health Fund (Teachers Health Fund)	NSW	369,041,036	111,429,636	257,611,400
58	Queenslanders Credit Union Limited	QLD	332,008,693	289,644,833	42,363,860
59	EML (formerly Employers Mutual Ltd)	NSW	302,609,000	190,454,000	112,155,000
60	Australian Settlements Ltd	NSW	289,944,234	282,510,759	7,433,475
61	GMHBA Limited	VIC	286,557,000	102,503,000	184,054,000
62	Capricorn Society Ltd	WA	281,400,000	149,745,000	131,655,000
63	CBHS Health Fund Limited	NSW	240,018,000	73,142,000	166,876,000
64	Macarthur Credit Union Ltd	NSW	231,848,946	208,572,945	23,276,001
65	Key Invest	SA	225,367,709	193,052,344	32,315,365
66	Namoi Cotton Co-operative Ltd	NSW	195,423,000	70,824,000	124,599,000
67	Latrobe Health Services Ltd	VIC	190,057,664	44,038,969	146,018,695
68	Norco Co-operative Ltd	NSW	176,428,000	104,152,000	72,276,000
69	Laboratories Credit Union Ltd	NSW	166,300,926	153,952,721	12,348,205
70	Westfund Health Ltd	NSW	162,540,313	47,838,329	114,701,984
71	Australian Friendly Society	VIC	148,196,000	138,392,000	9,804,000
72	Northern Co-operative Meat Co. Ltd	NSW	134,493,000	46,090,000	88,403,000

RANK	NAME	STATE	ASSETS (AUD \$)	LIABILITIES (AUD \$)	EQUITY (AUD \$)
73	Health Partners Ltd	SA	130,179,000	23,269,000	106,910,000
74	Queensland Teachers Union Health Fund	QLD	118,579,381	33,138,419	85,440,962
75	Geraldton Fishermen's Co-operative Ltd	WA	116,437,628	91,730,976	24,706,652
76	Health Insurance Fund of Australia	WA	115,485,536	41,589,335	73,896,201
77	APS Benefits Group	VIC	101,968,189	95,943,191	6,024,998
78	South West Credit Union Co-operative	VIC	97,517,946	87,398,454	10,119,492
79	Pulse Credit Union Ltd	VIC	93,704,000	86,843,000	6,861,000
80	Heritage Island Credit Union	TAS	93,419,572	85,433,539	7,986,033
81	Macquarie Credit Union Ltd	NSW	90,663,000	78,571,000	12,092,000
82	Peoplecare Health Insurance	NSW	87,992,007	22,556,637	65,435,370
83	Royal Automobile Club of Tasmania	TAS	85,662,149	27,660,471	58,001,678
84	Mildura District Hospital Fund Ltd	VIC	84,448,698	13,002,252	71,446,446
85	WA Meat Marketing Co-operative Ltd (WAMMCO)	WA	83,858,000	31,114,000	52,744,000
86	Navy Health Ltd	VIC	83,567,000	19,775,000	63,792,000
87	Lysaght Credit Union Ltd	NSW	76,822,712	69,643,657	7,179,056
88	Railway and Transport Health Fund	NSW	73,300,000	25,359,000	47,941,000
89	South West Irrigation Management Co-operative Ltd	WA	73,105,953	19,875,094	53,230,859
90	University Co-operative Bookshop Ltd	NSW	68,884,790	42,819,764	26,065,026
91	South West Irrigation Asset Co-operative Ltd (Harvey Water)	WA	64,576,331	10,271,364	54,304,967
92	Community Co-op Store (Nuriootpa) Ltd	SA	47,945,341	14,202,807	33,742,534
93	MCU Ltd	QLD	43,490,446	39,415,151	4,075,295
94	Yenda Producers Co-operative Ltd	NSW	34,100,660	24,565,878	9,534,782
95	Master Butchers Co-operative Ltd (SA)	SA	33,808,598	29,056,337	4,752,261
96	International Macadamias Ltd (Macadamia Processing Co. Ltd)	NSW	28,606,647	9,370,178	19,236,469

APPENDIX C: TOP 100 AUSTRALIAN CME BY ASSET FY2014-15 [continued]

RANK	NAME	STATE	ASSETS (AUD \$)	LIABILITIES (AUD \$)	EQUITY (AUD \$)
97	Service One Alliance Bank	ACT	24,785,000	2,027,000	22,758,000
98	Phoenix Health Fund	NSW	24,246,583	8,115,859	16,130,724
99	Lenswood Cold Stores Co-operative Ltd	SA	22,504,298	10,780,712	11,723,586
100	Soldiers Point Bowling Club Ltd	NSW	21,977,404	924,413	21,052,991

Notes to Table:

1. This list contains businesses ranked by total assets not turnover and includes several firms that did not appear in the Top 100 list by turnover (Appendix A), while some of the firms listed there do not appear in this list.
2. Financial information has been sourced in most cases from company annual reports, and where that has not been available from IBISWorld industry reports. All care has been taken to ensure the accuracy of this data, however, it is possible that some information may be incorrect.

APPENDIX D: TOP AUSTRALIAN CME BY STATE AND TERRITORY FY2014-15

RANK	NAME	TURNOVER	ASSETS	TOP 100 RANK
NSW HEADQUARTERED				
1	Hospital Contribution Fund (HCF)	2,381,977,000	1,881,257,000	3
2	NRMA	532,493,000	1,279,514,000	11
3	Norco Co-operative Ltd	510,909,000	176,428,000	13
4	Teachers Federation Health Fund (Teachers Health Fund)	485,701,931	369,041,036	14
5	Namoi Cotton Co-operative Ltd	422,258,000	195,423,000	15
6	Newcastle Permanent	403,721,000	8,874,025,000	16
7	Avant Mutual Group	396,887,000	2,011,010,000	17
8	CBHS Health Fund Limited	336,234,000	240,018,000	24
9	Independent Liquor Group Distribution Co-operative	334,704,000	NA	25
10	Northern Co-operative Meat Co. Ltd	301,813,000	134,493,000	27
Combined turnover and assets		6,106,697,931	15,161,209,036	
QLD HEADQUARTERED				
1	RACQ	1,110,344,000	2,478,085,000	8
2	Credit Union Australia (CUA)	512,826,000	11,987,759,000	12
3	Heritage Bank Ltd	378,017,000	8,557,273,000	20
4	Queensland Country Credit	158,790,000	12,891,661,000	40
5	Queensland Teachers Union Health Fund	128,020,327	118,579,381	47
6	QTMB	78,357,000	1,391,129,000	59
7	Queensland Police Credit Union Ltd	31,816,068	656,758,779	91
8	Railways Credit Union (Move)	28,481,591	590,691,367	95
Combined turnover and assets		2,426,651,986	38,671,936,527	

APPENDIX D: TOP AUSTRALIAN CME BY STATE AND TERRITORY FY2014-15 [continued]

RANK	NAME	TURNOVER	ASSETS	TOP 100 RANK
SA HEADQUARTERED				
1	People's Choice Credit Union (Australian Central CU)	392,120,000	6,895,106,000	18
2	RAA SA	319,306,000	429,512,000	26
3	Beyond Bank (Community CPS Australia Ltd)	235,328,000	4,383,059,000	33
4	AlmondCo Ltd	200,000,000	NA	35
5	Health Partners Ltd	127,563,000	130,179,000	48
6	Community Co-op Store (Nuriootpa) Ltd	67,573,132	47,945,341	65
7	CCW Co-op	55,653,413	3,841,214	76
8	Master Butchers Co-operative Ltd	53,443,086	33,808,598	77
9	Credit Union SA Ltd	46,518,000	877,497,000	81
10	Police Credit Union Limited	45,287,000	777,960,000	82
Combined turnover and assets		1,542,791,631	13,578,908,153	
TAS HEADQUARTERED				
1	St Luke's Medical & Hospital Benefits Association Ltd	91,318,000	NA	55
2	Royal Automobile Club of Tasmania	60,463,967	85,662,149	69
Combined turnover and assets		151,781,967	85,662,149	
VIC HEADQUARTERED				
1	Murray Goulburn Co-operative Co Ltd	2,871,884,000	1,840,584,000	2
2	Australian Unity	1,282,397,000	4,331,639,000	6
3	Members Equity Bank Ltd (ME Bank)	1,226,699,000	21,208,295,000	7
4	RACV	559,300,000	1,987,100,000	10
5	Tyrepower Group	382,190,000	NA	19
6	GMHBA Limited	376,534,000	286,557,000	21
7	East Yarra Friendly Society Pty Ltd	359,205,000	918,584,000	23

RANK	NAME	TURNOVER	ASSETS	TOP 100 RANK
8	Bank Australia (formerly bank mecu)	167,845,000	3,577,419,000	39
9	Australian Scholarship Group Friendly Society	156,533,000	1,676,080,000	41
10	Latrobe Health Services Ltd	154,815,934	190,057,664	42
Combined turnover and assets		7,537,402,934	36,016,315,664	

WA HEADQUARTERED

1	Co-operative Bulk Handling Ltd	3,719,985,000	2,169,170,000	1
2	Capricorn Society Ltd	1,412,169,000	281,400,000	4
3	HBF Health	1,405,386,000	1,595,927,000	5
4	RAC WA	660,781,000	1,635,204,000	9
5	Geraldton Fishermen's Co-operative Ltd	360,727,324	116,437,628	22
6	WA Meat Marketing Co-operative Ltd (WAMMCO)	286,752,000	83,858,000	28
7	P&N Bank	196,154,000	3,064,433,000	37
8	Health Insurance Fund of Australia	131,058,150	115,485,536	46
9	MDA National	84,201,591	377,902,000	58
10	Wesbuilders Co-operative Ltd	33,230,902	2,023,137	89
Combined turnover and assets		8,290,444,967	9,441,840,301	

Notes to Table

1. Only the Top 100 CMEs by turnover for the FY20414/15 were considered for inclusion in this list.
2. There were no CMEs from the ACT or NT in the Top 100.
3. All values are reported in Australian dollar.



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