

## All Together Now: How Co-operatives Are Born Again as Communities Help Themselves

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Nuts and bolts are a daily necessity in a farming community. That reality hit home in the small western Victorian town of Casterton when its only hardware shop closed in 2009. The population of 2000 was left with little choice but to drive 60km for supplies.

Dismayed, a group of residents held a public meeting in May 2009 to gauge interest in restoring the hardware store to the main street. Then a steering committee met every week for 15 months to determine its feasibility. The co-operative model was selected as the best format for the job: it would give the community a sense of ownership and establish a viable structure to raise the required A\$400,000.

In just one month, Casterton Community Co-operative Ltd has raised \$100,000 from selling shares in the co-op for \$1 each. Under the terms of the co-op, shareholders will need to spend A\$50 a year in the store and no shareholder can own more than 20% of the business.

"Considering we have only been raising money for about four weeks, we are happy with the response from the largely elderly community," says Ann Dalby, secretary of Casterton Community Co-op Ltd. "To raise awareness, we are doing presentations around town with Lions, Rotary and Probus groups and we have set up an office one day a week in the community centre. We have banners in the main street and across the football oval and, during our festival, the Australian Kelpie Muster on 11 and 12 June, we'll have a float in the parade and a stall in the main street."

This co-op is following in the wake of other rural communities that have embraced the model as a means of saving essential services. One of Australia's most successful retail co-operatives is the Community Co-operative Store (Nuriootpa) Ltd, trading as [The Co-op Heart of the Barossa](#). It was formed in 1944 to buy Sheards Department Store in Nuriootpa, South Australia. In 1998, it opened its own shopping centre. Today, the co-op employs 300 staff.

Other country towns have rallied to buy picture theatres, service stations and pubs. One even bought a caravan park, while a town in Western Australia is working hard to keep its bakery, reports Alan Greig, director of the [Australian Employee Buyout Centre](#) and the director, ownership strategy, of the [Mercury Centre](#), a Sydney-based body that specialises in building collaborative enterprises. "I think Nuriootpa is the most successful example of a community buyout in Australia, while the Renmark Hotel in South Australia, in operation since 1897, is believed to be our oldest community-owned pub," he says.

"Co-operatives are a small trend in Australia. Over the years there have been many country towns in the process of combating decline that have been looking to take over services and facilities to ensure they continue operating under community ownership. In the UK, there have been about 300 community buyouts, mostly involving the village store, in the past decade. Communities don't sit still and watch as they lose their store. They don't want to drive 15km to buy a carton of milk."

The co-operative model is held in high regard. The United Nations estimates the livelihood of almost 3 billion people is made secure by co-operative enterprise. The [International Co-operative Alliance](#) defines a co-operative as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled



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enterprise". The alliance found that the combined turnover of the 300 largest co-operative and mutual enterprises was \$US953 billion. The majority of these co-operatives were concentrated in finance, agribusiness and retail.

Internationally, the co-op scene has been enjoying a renaissance for the past decade, according to Melina Morrison, a director of advisory group [Social Business Australia](#). Since the global financial crisis, co-ops are stepping in to replace failed corporates and proving their resilience when times are tough. As the focus turns more to environmental issues, there is a drive to gain growth that delivers economic and social benefits. However, in Australia, the sector has been "in the doldrums" for the past two decades with "quite severe demutualisation of some of our most iconic co-ops and mutual businesses. Yet at the same time some of our largest businesses, such as Co-operative Bulk Handling [known as CBH Group] and dairy exporter Murray Goulburn Co-operative, continue to trade strongly", Morrison says.

## Pushing Past Perception

There's a perception in Australia that co-ops are old-fashioned, according to [Tim Mazzarol](#), Winthrop Professor at the University of Western Australia Business School. "With that mindset, accountants and lawyers advise them to demutualise because they think they have no future," he says. "When that happens, members are usually not better off. Fees are higher, there is no local ownership and no local jobs."

With the [International Year of Co-operatives](#) approaching in 2012, Morrison believes it's time for a re-energising of the sector and co-ops are keen to come together to promote their economic activity and social good. Last year, the top 100 co-ops and mutual businesses in Australia had a combined annual turnover in excess of \$14.5 billion.

Mazzarol, chief investigator of a UWA research project focused on understanding the sustainability and resilience of the co-operative business model, sees a clear emerging trend in the growth of organisations that are established for social enterprise, rather than not-for-profit, with their primary aim to deliver a benefit to a disadvantaged or needy group. However, he notes that the co-op is neither a social enterprise nor a non-profit organisation. It is a distinctly different business model designed to provide economic benefits for its members.

Morrison says co-ops are an important structure in the current climate. "Co-ops offer so many advantages including the bringing together of commercial aspirations and social purpose in a tried-and-tested business model, making them highly sustainable businesses," she says.

"They are also a self-help model so if you look at just one area, the burgeoning renewable energy market, the co-op business model empowers communities to come together to solve their own energy needs with a business structure that provides them some return on their investment by directing profits back to the community and members. The co-op model is also highly transparent and ethical."

[Les Hems](#), director of research at the [Centre for Social Impact](#) at the University of New South Wales, says the global financial crisis may yet be the catalyst for a revival of the co-op as an alternative to the for-profit model. "The crisis was caused by financial institutions that were chasing bigger and bigger profit margins and higher and higher risks," says Hems. "Yet co-operative mutuals are member-serving and instead of looking to dividend returns to shareholders, they seek value for members so they don't expose themselves to the risky lending behaviours that triggered the crisis."

Of course, co-ops have their downsides. They tend to thrive best in environments where there is legislative and government recognition that supports their distinct form of business, according to Morrison. In Australia, there is a national uniform co-operative law that has been drafted but not enacted. "Co-ops in Australia are struggling to trade under state-based acts, which makes cross-border trade more difficult, especially in a globalised economy," she says. "The disadvantages for the co-op business form have more to do with the policy and legislative landscape, which is not conducive or aware of the co-op alternative. So co-ops do struggle for recognition and professional advice from the legal and accounting sectors, which means they often start in a vacuum." And, compared with Italy and Canada – where co-op start-ups can apply for low-interest loans – Australian co-operatives also battle to source investment capital.

## Winds of Change

At [Hepburn Wind](#), Australia's first community-owned renewable energy farm in rural Victoria, where two turbines will soon be gusting green power, almost all of its \$12.5 million capital has been raised from its 1600 community owners. When operational, it's expected to offset 12,000 tonnes of CO2 a year, more than likely generated from coal-fired power stations in the nearby Latrobe Valley.

Conceived by a group of passionate locals who were keen to make a difference, reduce pollution and inspire the Victorian community to act against climate change, the wind farm will deliver economic benefits as a significant amount of annual returns will be paid to local members, keeping a portion of the proceeds within the community. "An agreement has been signed to sell all our power wholesale to Red Energy and we will work with them to sell that retail to our members, supporters and anyone who wants to buy it," executive officer Jack Gilding says. Socially, the region also will gain from a Community Sustainability Fund and a sister organisation known as [Embark](#), a not-for-profit venture to share intellectual capital.

For Hepburn Wind, there was much to like about the co-op model, particularly the democratic nature of one member, one vote, which matched the philosophy of the project. "The co-op structure sends a strong message that although this is a commercial operation, it has a broader focus than just making money," Gilding says.

Even though there is much enthusiasm for community-based renewable energy projects, particularly in European countries, such as Denmark where co-ops own more than a quarter of the country's wind farms, the sector in Australia is "doing it tough". "A lack of a confirmed price on carbon, more stability and a better price for renewable energy need to be resolved to create the right environment for these projects to take off," Gilding says. "I subscribe to the view that politicians will wake up eventually and change their approach."

It's not just rural sectors in Australia banding together to form co-ops. In the nation's capital, a health co-op is delivering results. With poor access to health services and the lowest bulkbilling rates in the country, a group from the electorate of Fraser in the Australian Capital Territory (ACT) took action, forming the [West Belconnen Health Co-op](#) in 2006. Community and businesses provided one-third of the funding, which was matched by the territory and federal governments. In January 2010, the bulk-billed medical clinic opened its doors with one GP, a nurse and a receptionist in a refitted former high school. It was so successful that another site was soon opened in the centre of Belconnen. The co-op employs a total of five doctors and three nurses and is recruiting more to its expanded holistic health centres.

The co-op model was an obvious choice. "It stood out for us because the members or patrons of the service are the owners of the service, and any profit goes back into the services you are providing for community good," says Roger Nicoll, deputy chair, West Belconnen Health Co-op. "Its rapid growth has attracted a lot of interest around Australia. People involved in succession planning and health services are looking at this type of model for communities losing doctors through retirement."

Behind this success story has been plenty of toil. "Even setting up your model rules, which is effectively a constitution, is a significant step," Nicoll says. "You need to have a group or community willing to work hard for a couple of years. The board operates pretty much like a company board. You have to have high standards of governance, be audited and well managed. You also have to have that close contact and communication with the members because we are a member-based organisation."

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