CEMI
Centre for
Entrepreneurial Management
and Innovation

BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Australia's Leading Co-operative and Mutual Enterprises in 2018

Co-operative Enterprise Research Unit
C. E. R. U.

Paper prepared by the UWA Co-operative Enterprise Research Unit

Consulting

Research

Training

Support

CEMI Discussion Paper 1801

Tim Mazzarol

Centre for Entrepreneurial Management and Innovation
Phone: +618 6488-3981
Fax: +618 6488-1072
Email: tim.mazzarol@cemi.com.au

General Inquiries:
Email: tim.mazzarol@cemi.com.au

Website: www.cemi.com.au

CEMI Discussion Paper Series

ISSN 1448-2541

Discussion Paper 1801

Mazzarol, T. (2018) Australia's Leading Co-operative and Mutual Enterprises in 2018" CEMI Discussion Paper Series, DP 1801, www.cemi.com.au Centre for Entrepreneurial Management and Innovation.

NOTE:

This paper has been prepared in conjunction with the UWA Co-operative Enterprise Research Unit (CERU) http://www.business.uwa.edu.au/research/co-operative-enterprise-research-unit for the Business Council of Co-operatives and Mutuals (BCCM) http://bccm.coop

CONTENTS

Australia's Leading Co-operative and Mutual Enterprises in 2018

Tim Mazzarol, University of Western Australia (tim.mazzarol@uwa.edu.au)

Abstract

This paper reports on a research study that aims to map the size and structure of the Co-operative and Mutual enterprise (CME) sector in Australia. The Australian CME Index (ACMEI) is a longitudinal study that can provide a better understanding of these firms and their economic and social contribution to the national economy. This year the study found a total of 1,998 active CMEs of which 82.3% were co-operatives, 13.5% mutual enterprises, 2.2% were friendly societies and 2% were member-owned superannuation funds. These firms had a combined active membership base of over 29.5 million memberships, generated more than $102.7 billion in revenue, managed over $809.7 billion in assets, and employed at least 54,841 people. They encompassed a wide range of industry sectors and provided significant economic and social benefits to their members. The report outlines these contributions and offers case studies of selected CMEs to illustrate these contributions.

Key words: co-operatives, mutual enterprises, Australia, Top 100.

Introduction

This is the fifth annual report on the Australian Co-operative and Mutual Enterprise (CME) sector and draws on the findings of the previous studies by way of comparison (Mazzarol *et al.*, 2014; 2015; 2016; 2017). The study is part of a long-term project, the Australian Co-operative and Mutual Enterprise Index (ACMEI), with the goal of developing a comprehensive understanding of the size, characteristics and impact of the co-operative and mutual enterprise (CME) sector on the Australian economy and society. This work is undertaken in conjunction with the Business Council for Co-operatives and Mutuals (BCCM).

An important starting point in understanding the CME sector is to define these enterprises. The following list of definitions provides a guide to what is a relatively poorly defined sector.

DEFINITIONS

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. *(ICA, 2015)*

A mutual is a private company whose ownership base is made of its clients or policyholders. The defining feature of a mutual company is since its customers are also its owners, they are entitled to receive profits or income generated by the mutual company. It is owned by, and run for the benefit of its members. (UK Government 2011)

A member-owned business organisation is one that is owned and controlled by its members who are drawn from one (or more) of three types of stakeholder – consumers, producers and employees – and whose benefits go mainly to these members. (Birchall 2011 p. 3)

A co-operative or mutual enterprise (CME) is a member-owned organisation with five or more active members and once or more economic or social purposes. Governance is democratic and based on sharing, democracy and delegation for the benefit of all its members. (Mazzarol *et. al*. 2016)

HOW MANY CMES IN AUSTRALIA?

Accurate measurement of the total number of CMEs in Australia is complicated by a number of factors. These enterprises are legally registered across a wide range of different state, territory and federal jurisdictions. They include the state and territory registries for those co-operatives registered under the respective state and territory Co-operative Acts. They also include the Australian Charities and Not-for-profits Commission (ACNC), the Office of the Registrar of Indigenous Corporations (ORIC), the Australian Securities and Investments Commission (ASIC), Australian Business Number (ABN) and the Australian Prudential Regulation Authority (APRA). There is no single repository into which all such enterprises are recorded and as the majority of CMEs are small, operate under different trading names, and have no online visibility, the process of tracking them becomes challenging. Further, many don't publicly identify as CMEs.

Estimates of the total number of CMEs have evolved over the past decade. For example, an initial study identified 659 enterprises (Barraket & Morrison, 2010). This was increased to 1,700 for the UN International Year of the Co-operative (ABS, 2012; Dennis & Baker, 2012). Since the commencement of the ACMEI research project the estimates of CME numbers have evolved from an examination of only the 100 largest enterprises by annual turnover (Mazzarol *et al.*, 2014). As more data has become available these estimates identified 1,960 (Mazzarol *et al.* 2015), 1,983 (Mazzarol *et al.*, 2016), and 2,134 (Mazzarol and Kresling, 2017).

ACTIVE AND INACTIVE CMES

For this year we reviewed all the available databases (e.g. ABN, APRA, ASIC, ORIC, ACNC, state and territory registries of co-operatives) in order to identify the total size of the CME sector, and cross-checked each firm in order to confirm if it was active. Starting with an initial database of 2,467 firms, a total of 469 were considered to be inactive and removed from further analysis leaving a final database of 1,998 active CMEs. Table 1 lists the results of this analysis.

TABLE 1: ACTIVE VERSUS INACTIVE AUSTRALIAN CO-OPERATIVE AND MUTUAL ENTERPRISES 2018

Type	Active	Inactive	Total
Co-operative	1,644	433	2,077
Mutual Enterprises	270	26	296
Member Owned Super Funds	40	4	44
Friendly Societies	44	6	50
Total	1,998	469	2,467

The reasons for these firms becoming inactive varied. Some were found to have been demutualised, merged, liquidated or voluntarily wound up. However, many were simply identified within the state and territory registries as being deregistered, or to have had their ABN cancelled. Others were found to have been duplicated within the original database, due to having been registered in multiple jurisdictions, but representing the same entity. This is a consequence of co-operatives having to register across multiple state and territory jurisdictions due to the absence of a central federal authority for such enterprises.

As shown in Table 1, of the 1,998 active CMEs identified for the 2018 ACMEI study 1,644 (82.3%) were co-operatives, 270 (13.5%) were mutual enterprises, 44 (2.2%) were Friendly Societies, and 40 (2%) were member owned superannuation funds. The mutual firms were heavily concentrated in the medical services (50.6%), financial services (35.1%), and health insurance (8.9%) sectors. The Friendly Societies were concentrated in the health services (68.2%) and financial services (29.5%) sectors. The main sectors where the co-operatives were concentrated were housing (17%), sport and recreation (15.8%), community services (11.1%), education, training and child care (9.7%), agribusiness (9.6%) and retailing (8.9%) sectors.

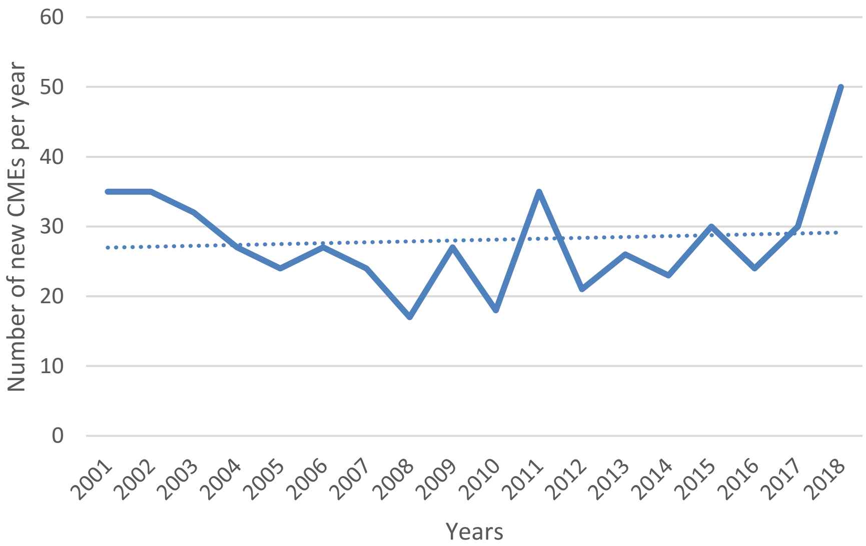
Indigenous CMEs

At least 216 of the total number of CMEs were owned and operated by Aboriginal or Torres Strait Islander (ATSI) communities. The majority of these CMEs (70.4%) were focused on delivery of medical services. Other major concentrations were found in community services (13.9%), housing (5.6%) and Arts and Culture (4.2%). However, it should be noted that many of these ATSI CMEs have multiple services that address a relatively wide range of community needs designed to offer 'holistic' support for their communities. Most are non-distributing (not-for-profit) enterprises and many are registered charities.

Creation of new CMEs

Despite the loss of a relatively large number of CMEs from the active list, the overall trend in the total number of these enterprises remains positive. As shown in Figure 1, over the past 18 years the average number of new CMEs (mostly co-operatives) registered each year has been around 28, with a noticeable increase in new firms being established in the past two years. Most of this new CME generation took place in NSW and Victoria with 31 new enterprises being established in NSW in the 2017-2018 period (24 in 2018), and 24 being established in Victoria over the same period (11 in 2017 and 13 in 2018). The largest start-up activity was found in the agribusiness sector with 25 new enterprises established in this sector over the 2017-2018 period, representing around 30% of the total number of new CMEs created in those years.

Figure 1: New CMEs registered 2001-2018



This represents a significant increase in the number of CMEs established in Australia for any period and is most likely the result of the Australian Federal Government's investment of $14.1 million into the Farm Co-operatives and Collaboration Pilot Program. Funded by the Federal Department of Agriculture and Water Resources, that program was targeted at creating new co-operatives and other collaborative engagements between primary producers in the farming, fishing and forestry sectors. The program ran over two-years ending in 2018 and provided funding to assist with the creation of new co-operatives (DAWR, 2018). It will be worth monitoring whether this increase trend in co-operative formation will continue following the cessation of government funding. Further, the net economic and social benefit of this major investment in Australia's CME sector remains unknown at this stage. Just creating more CMEs does not provide a reliable measure of such benefits. It is to be expected that appropriate and independent follow-up research is undertaken to properly assess the value to the taxpayer of such a program.

DISTRIBUTION OF CMES BY SECTOR, STATE AND TERRITORY

Table 2 lists the active CMEs by industry type and geographic location. As in past years, the majority of firms are located or headquartered in New South Wales (NSW) with around 40% of the total. Victoria (VIC) has the second largest concentration with just over 33%, followed by Queensland (QLD) (14.3%), Western Australia (WA) (4.9%), South Australia (SA) (4.9%), Tasmania (TAS) and the Northern Territory (NT) each with 1.5%, and finally the Australian Capital Territory (ACT) (0.9%).

As shown in Table 2 there is a wide distribution of CMEs across industry sectors. The most substantial concentrations are found in housing (14%), sport and recreation (13%), community services (9.2%), medical services (8.2%), agribusiness (8%), and education, training and child care (8%).

TABLE 2: AUSTRALIAN CO-OPERATIVE AND MUTUAL ENTERPRISES BY SECTOR, STATE AND TERRITORY[1]

State/Territory	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total	%Total
Accommodation		9		1			6		16	0.8%
Agribusiness		40	1	47	16	2	35	18	159	8.0%
Arts & Culture	1	34		27	1	4	25	1	93	4.7%
Business Services	1	5		2	1		8		17	0.9%
Community Services		100	1	29	5	1	45	2	183	9.2%
Education, Training, Childcare	1	28		3			126	2	160	8.0%
Employment Services		4		8		1	4	1	18	0.9%
Environmental		9		5	1	1	11		27	1.4%
Banking & Financial Services	1	53	1	16	7	2	34	5	119	6.0%
Fishing		16		3	2		3	1	25	1.3%
Health Insurance		11		1	2	2	6	2	24	1.2%
Health Services	1	3		11	2	1	15	1	34	1.7%
Housing	2	57		39	27	7	142	6	280	14.0%
Information & Media		17	1	1			10		29	1.5%
Manufacturing	1	3					4	2	10	0.5%
Medical Services	4	54	23	28	12	1	24	17	163	8.2%
Motoring Services	1	1	1	1	1	2	1	1	9	0.5%
Professional Services		8		4			9	1	22	1.1%
Purchasing Services	1	4			2			7	14	0.7%
Religious Services		2					2		4	0.2%
Retailing	1	54	1	25	7	3	37	18	146	7.3%
Shared Services	1	18		8			10	2	39	2.0%
Sport & Recreation	2	187		8		1	61		259	13.0%
Telecommunications							2		2	0.1%
Transport Services		31		2	3		6	2	44	2.2%
Utilities (power, water, gas)		13		10	1		21	8	53	2.7%
Wholesaling		3		1	3	1	1		9	0.5%
Superannuation Funds		14		1	3	1	17		40	2.0%
Total	18	778	29	285	96	30	665	97	1,998	100%
% Total	0.9%	38.9%	1.5%	14.3%	4.8%	1.5%	33.3%	4.9%	100%	

[1] This data is based on the best available evidence but may not represent the total CME sector.

THE CONTRIBUTION OF THE CME SECTOR TO THE AUSTRALIAN ECONOMY

The contribution of the CME sector to the national economy must be assessed using both economic and social capital measures. Collecting data on these metrics within the Australian CME sector is challenging for several reasons. First, the majority of these businesses do not publicly disseminate their annual reports, which makes it difficult to obtain reliable data for each year. Second, even where such data is available, many CMEs don't report via the financial yearly cycle, so all financial data used in this research is lagged by 12 months. It has been taken from the FY2016/17 annual reports.

In addition to these issues associated with the collection of financial data, it is equally challenging to secure complete data on the social metrics. This includes the number of members, people employed and specific data on gender balance or other social diversity metrics. For this year's report we have collected such data from a sizable sample of firms and this offers some insights into these areas. However, some caution must be taken when extrapolating the findings for the total population.

Reliable financial data was available for 340 (17%) of the total number of active CMEs. Employment data was available for 255 firms (12.8%), and membership data for 195 firms (9.7%). Such data is difficult to collect as most CMEs don't report these statistics in their annual reports, and many consider the release of membership data as a potential breach of commercial-in-confidence information as it is perceived to grant competitors an indicator of the firm's growth, decline and market share positioning.

Despite these limitations the following summary was able to be made of the sector. It is worth noting that of the 54,841 people employed within the sample of 255 firms, 75% were employed full-time and 25% part-time. Male workers were significantly more likely to be employed full-time (92%) than part-time (8%). By comparison full-time workers were in the majority (61%) within the female employees, as compared to part-time workers (39%), although not in the same proportions as found amongst the men.

SUMMARY

There are at least 1,998 active CMEs in Australia.

This includes 1,644 co-operatives; 270 mutual enterprises, 40 member-owned super funds and 44 friendly societies.

Their combined gross annual turnover is more than $102.7 billion.

Their combined gross assets under management is greater than $809.7 billion.

Their combined active membership is more than 29.5 million memberships.

They employed more than 54,841 people.

BOARDS OF DIRECTORS

Gender diversity on the boards of these CMEs was also examined and reliable data was obtained from 350 firms. The average number of board directors was 8 persons, with a total of 2,724 people serving as company directors of CMEs in Australia in 2017. Of these directors, approximately 40% were females and 60% were males. A total of 68 CMEs reported having at least one independent director on their boards.

WHICH ARE THE LEADING CMES IN AUSTRALIA?

As part of the research contribution to the annual National Mutual Economy Report (BCCM, 2014; 2015; 2016) a league table of the Top 100 CMEs by annual turnover has been prepared. This provides a ranking of the largest firms by financial turnover and is consistent with the Top 100 largest co-operatives reporting that existed prior to the development of the ACMEI-NME study (e.g. CA, 2010; 2011; 2012). The key measures used in this assessment are annual turnover, assets and membership. All figures are taken from the FY2017 period due to the difficulty of securing reliable annual reports for the 2018 period.

THE TOP 100 CMES BY TURNOVER

One measure of assessing leadership in a business sector is the gross annual turnover of the firms that operate within it. This is how the Top 100 of CMEs has been traditionally calculated and for the 2018 report we have taken the gross turnover for FY2016/17 and drawn the largest firms by size of revenue. The reason for taking the data from FY2016/17 is that many firms did not have their FY2017/18 data available at the time this report was being complied. A further reason is that many CMEs in the sector report their figures for the calendar year rather than the financial year, and others don't issue annual financial reports until late in the year.

It should be noted that we deliberately excluded the member owned superannuation funds from the Top 100 CMEs due to their size from an annual turnover and assets perspective. These businesses have been listed separately in Appendix B.

Appendix A lists the Top 100 CME by gross annual turnover for FY2016/17. It comprises 27 co-operatives, 71 mutual enterprises and 1 friendly society. The top 10 CMEs by annual turnover for 2017 were:

1. Co-operative Bulk Handling Ltd (CBH Group) [WA] – $3.48 billion.
2. Hospital Contribution Fund (HCF) [NSW] – $2.53 billion.
3. Murray Goulburn Co-operative Ltd (MGC) [VIC] – $2.49 billion.
4. Australian Unity [VIC] – $1.75 billion.
5. Capricorn Society Ltd [WA] – $1.68 billion.
6. HBF Health Ltd [WA] – $1.62 billion.
7. RACQ [QLD] – $1.17 billion.
8. Members Equity Bank Ltd (ME Bank) [VIC] – $1.16 billion.
9. RAC WA [WA] – $683.1 million.
10. RACV [VIC] – $619.8 million.

The largest firm by turnover was the WA-based grains storage, handling and marketing business Co-operative Bulk Handling Ltd (CBH Group), which reported an annual turnover of $3.48 billion. This was the eighth consecutive year that CBH has been ranked as Australia's largest CME by annual turnover. In second place, was the mutual health insurance firm, the Hospital Contribution Fund (HCF) from New South Wales (NSW), with an annual turnover of $2.53 billion.

Falling to third place was the Victorian based dairy Murray Goulburn Co-operative Ltd (MGC) with an annual turnover of around $2.49 billion. MGC has experienced difficulties since its partial listing on the Australian Stock Exchange (ASX) in 2015. Facing falling global milk prices in 2015-2016, the co-operative experienced a collapse of its share price and a significant fall in profit. During 2017 a process of demutualisation commenced leading to the decision to sell the co-operative to Canadian dairy giant Saputo for $1.31 billion in April 2018. Ongoing legal issues had slowed this process down at time of writing (Pepe, 2018).

Other changes in the Top 10 list was the rise of Victorian-based insurance mutual Australian Unity, which moved up from 6th place to 4th place at the expense of the automotive services co-operative Capricorn Society Ltd, and private health insurance mutual fund HBF Health Ltd, both headquartered in WA. In addition, the Queensland-based motor vehicle owners mutual RACQ rose from 8th to 7th place. This may reflect the merger between RACQ and the Queensland Teachers' Mutual Bank (QTMB), which took place in November 2016. The $3.9 billion merger not only strengthened RACQ's financial position, it created a combined membership within the mutual of around 1.7 million members (Connolly, 2017). While many of the motoring clubs across Australia have had their own insurance arms, this is the first time that banking services have been added to their portfolio (Peterson, 2018). This merger is part of a corporate strategy within the RACQ/QTMB group to position the mutual as an alternative to the major investor-owned banks. As RACQ Group CEO Ian Gillespie explained:

> *"We want to be a trusted alternative to the shareholder-owned, profit-driven banks. The merger will offer greater benefits to members of both organisations, with a highly compatible suite of premium products and services and a common focus on delivering exceptional service and value"* (Insurance Business, 2016).

TOP 100 CME BY ASSETS

When ranked by total assets held (current and non-current assets), the mutual enterprises operating in the banking and finance sector topped the list. Appendix C lists the top 100 CMEs by assets, liabilities and equity. The Top 10 CMEs by assets were:

1. Members Equity Bank Ltd (ME Bank) [VIC] – $25.94 billion.
2. Credit Union Australia (CUA) [QLD] – $13.75 billion.
3. Newcastle Permanent [NSW] – $10.88 billion.
4. Heritage Bank Ltd [QLD] – $9.38 billion.
5. People's Choice Credit Union [SA] – $7.89 billion.
6. Teachers Mutual Bank Ltd [NSW] – $6.68 billion.
7. Greater Bank (Greater Building Society) [NSW] – $6.29 billion.
8. IMB Limited [NSW] – $5.71 billion.
9. Beyond Bank (Community CPS Australia Ltd) [SA] – $5.41 billion.
10. Australian Unity [VIC] – $5.18 billion.

TOP 100 CMES BY MEMBERSHIP

As noted above there was reliable data on the membership of at least 202 CMEs. Appendix D provides a full list of the Top 100 largest CMEs by membership. However, the Top 10 (incorporating the member owned superannuation funds) were:

1. NRMA [NSW] – 2.6 million members.
2. University Co-operative Bookshop Ltd [NSW] – 2.2 million members.
3. Australian Super [VIC] – 2.1 million members.
4. RACV [VIC] – 2.1 million members.
5. Retail Employees' Superannuation Fund (REST) [NSW] – 1.9 million members.
6. RACQ [QLD] – 1.7 million members.
7. Hospital Contribution Fund (HCF) [NSW] – 1.5 million members.
8. HBF Health [WA] – 1.03 million members.
9. Sunsuper [QLD] – 1 million members.
10. HOSTPLUS [VIC] – 994,706 members.

FINANCIAL PERFORMANCE OF TOP 100 CMES

The combined annual turnover for the Top 100 Australian CMEs (excluding the member owned superannuation funds) for FY2016/17 was approximately $31.6 billion with combined assets of just over $166.9 billion. Table 3 provides a summary of the financial performance of the Top 100 CMEs over the past five financial years. This shows a decrease over the previous five financial years of 2.5% for gross annual turnover and an increase of 9.3% for total assets. This compares to a 6.6% increase in gross annual turnover and a 10.5% increase in gross assets for the previous period (FY2011/12 to FY2015/16).

Some of this negative trend, particularly in annual turnover, may be attributed to the poor performance of Murray Goulburn Co-operative (MGC), which saw a negative change in its annual turnover during the period FY2015/16 to FY2016/17 of 10.3%, or just over $286.6 million. Other major reductions in annual turnover were reported by AlmondCo Ltd (-19.3%), Police Credit (Vic Bank) (-17.2%), Lenswood Cold Stores Co-op Ltd (-16.1%), State Cover Mutual (-12.6%), Gateway Credit Union (-11.9%), MDA National (-11.7%), Police Bank (-10%). A total of 35% of the Top 100 CMEs saw either reductions or no growth in annual turnover during the period.

In terms of the general financial performance of these firms' median figures are shown for annual turnover, earnings before interest and tax (EBIT), net profit after tax (NPAT), assets, liabilities and equity. A median rather than a mean was used due to the high standard deviation across the largest and smallest firms in the Top 100 group.

TABLE 3: TOP 100 AUSTRALIAN CMEs FINANCIAL PERFORMANCE FY2012/13-FY2016/17

	FY2016/17	FY2015/16	FY2014/15	FY2013/14	FY2012/13	% Change
Annual Turnover (gross)	$31,622,708,165	$29,902,881,281	$29,410,971,759	$28,172,758,736	$36,012,018,169	-2.5%
Assets (gross)	$166,930,397,064	$150,963,201,128	$138,433,590,930	$127,844,342,098	$117,088,379,187	9.3%
Annual Turnover (median)	$120,626,500	$97,948,500	$125,737,931	$114,586,923	$107,661,584	4.3%
EBIT (median)	$6,344,777	$5,157,000	$9,040,000	$11,621,255	$8,867,378	-2.8%
NPAT (median)	$4,080,000	$3,972,500	$7,186,000	$8,741,500	$7,541,000	-11.0%
Assets (median)	$553,360,500	$482,458,000	$629,772,890	$669,276,440	$570,068,000	0.7%
Liabilities (median)	$288,648,500	$218,249,000	$490,129,500	$516,300,221	$525,776,707	-7.5%
Equity (median)	$96,572,000	$83,426,000	$107,074,000	$101,249,000	$96,360,000	1.1%

[1] EBIT = Earnings before interest and tax. [2] NPAT = Net profit after tax.

It can be seen from Table 3 that despite the decline in gross annual turnover, growth in annual median income within the Top 100 CMEs over the five years rose by 4.3%, although profitability – both EBIT and NPAT – were negative, particularly the latter, which declined by 11%. On a more positive note, median liabilities fell by 7.5%, although median equity and assets remained fairly static.

Some of this negative trend in profitability can be attributed to the financial difficulties facing Murray Goulburn Co-operative during the period. MGC's EBIT plunged from a profit of just over $57.5 million in FY2016, to a loss of $420.6 million in FY2017. During the same period its NPAT fell from a profit of more than $39.8 million, to a loss of $370.8 million. Other losses were reported by the South Australian motoring association RAA SA, the WA-based private health insurance fund Health Insurance Fund of Australia (HIF), Lenswood Cold Stores Co-op Ltd, and he Mallee District Aboriginal Services Ld. However, these losses were small in comparison to those experienced by MGC.

Figures 1 and 2 illustrate the trend in gross annual turnover and assets (Figure 1), and median annual turnover and assets growth (Figure 2). As illustrated in Figure 1, the five-year trend was generally positive in terms of the growth in total assets, but somewhat negative in relation to gross annual turnover. As noted, this decline in gross annual turnover can be attributed to falling turnover across a number of CMEs, although the largest single impact appears to be caused by the collapse of milk and dairy product production and sales within the large dairy business Murray Goulburn Co-operative. Figure 2 shows that despite the overall impact of falling revenues within a few businesses, the median annual turnover across the 100 top CMEs grew at a rate of 4.3%, although there was a modest decline (0.7%) in median assets.

These results demonstrate the impact of large companies on the financial performance of the CME sector. This is found in most industries, where a few large firms dominate, and their growth or decline influences the overall trends in the sector. However, general trend across most of the CMEs within the Top 100 group was positive, reflecting a modest but positive growth in trading activity.

FIGURE 1: TOP 100 CME ANNUAL (GROSS) TURNOVER AND ASSETS FIVE YEAR TREND

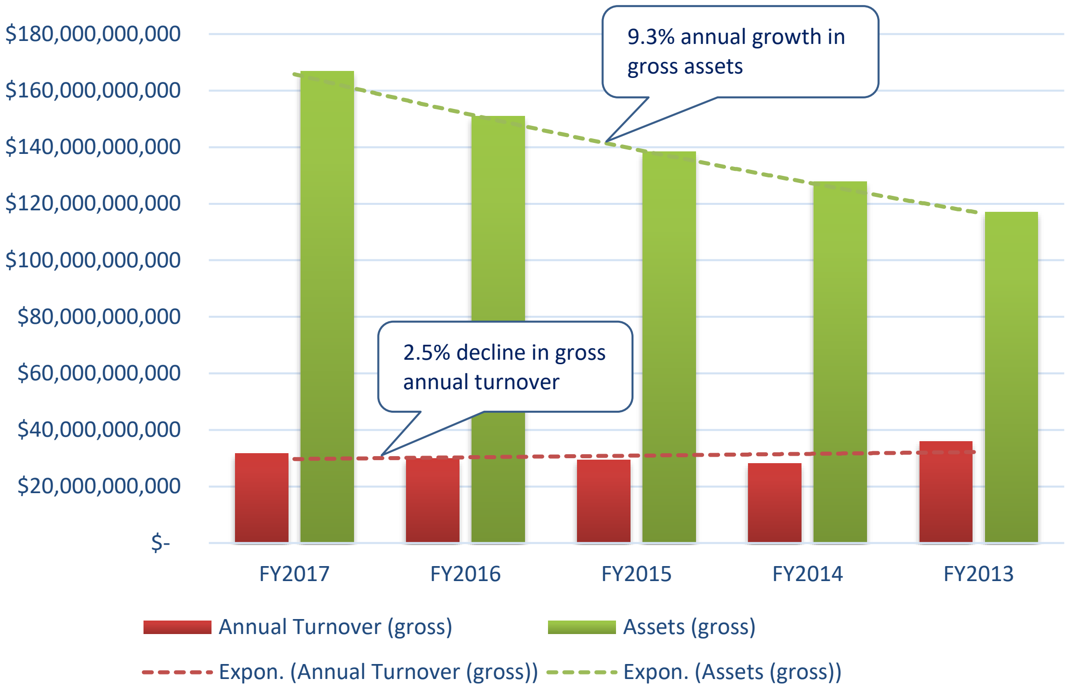
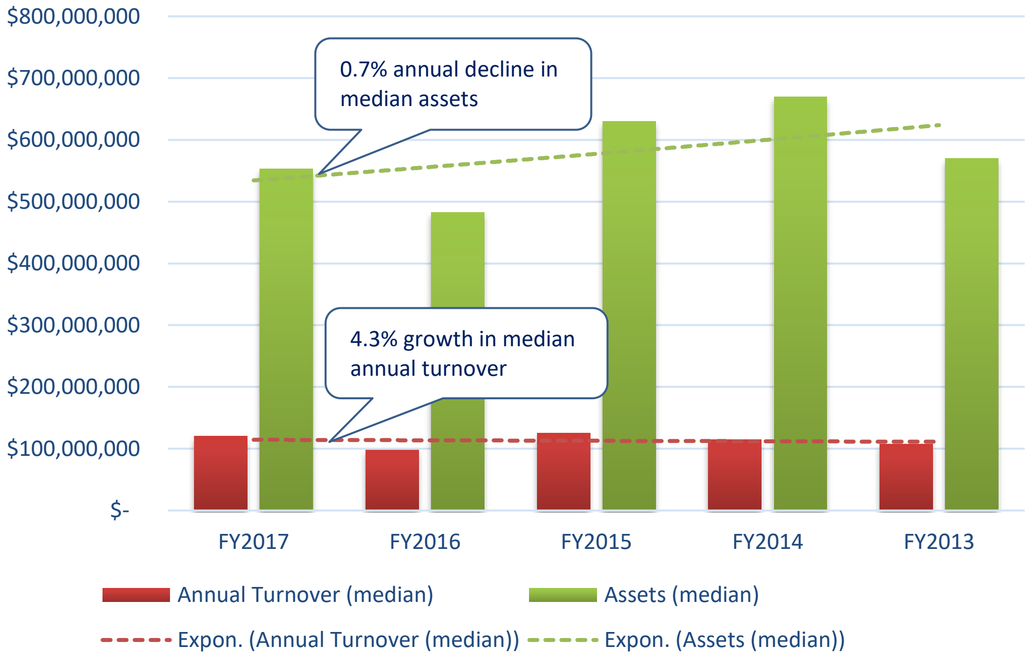


FIGURE 2: TOP 100 CME ANNUAL (MEDIAN) TURNOVER AND ASSETS FIVE YEAR TREND



As shown in Figure 3, gross earnings before income and tax (EBIT) declined by 6.9% and net profit after tax (NPAT) declined by 9.7% over the five years from FY2012/13 to FY2016/17, while median EBIT and NPAT experienced similar declines. As discussed above, the major impact on EBIT and NPAT was caused by the dramatic losses experienced by Murray Goulburn of $370.8 million in after tax losses.

FIGURE 3: TOP 100 CME (GROSS) EBIT AND NPAT FIVE YEAR TREND

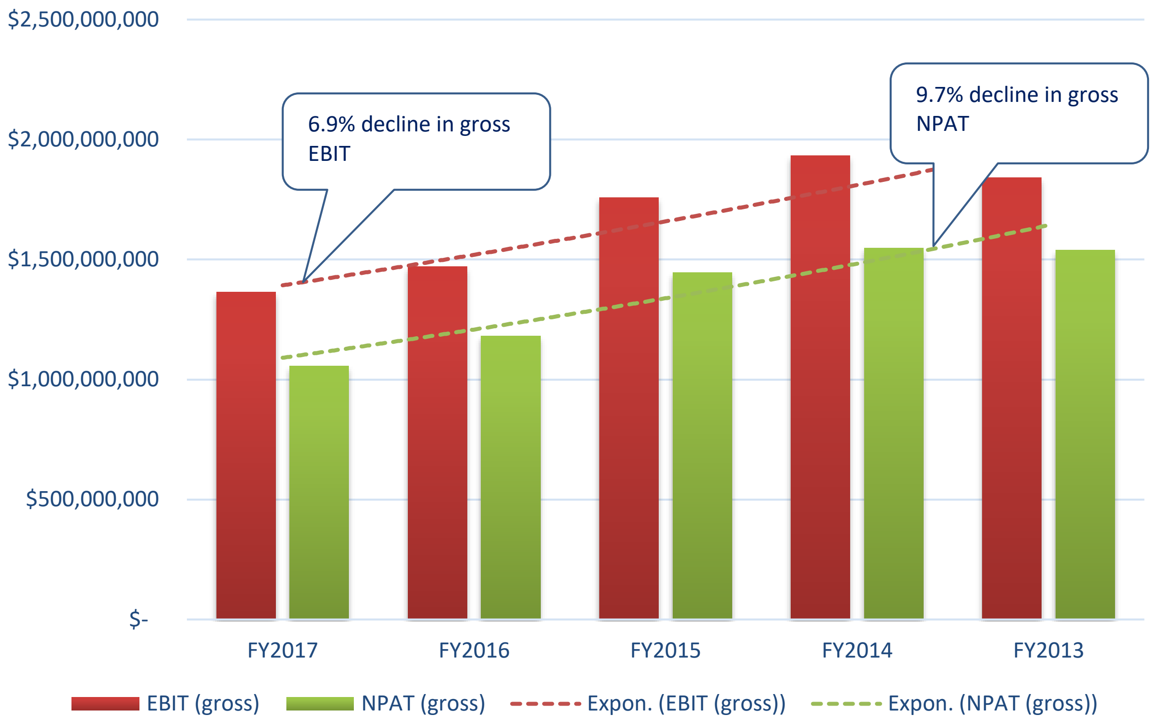
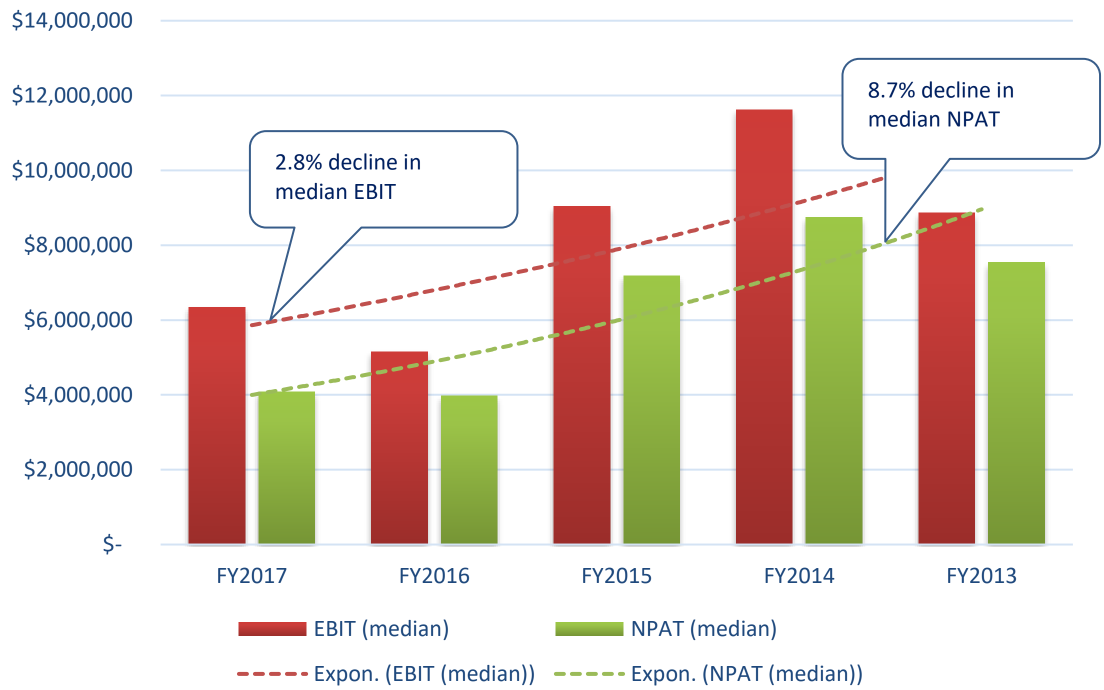


FIGURE 4: TOP 100 CME (MEDIAN) EBIT AND NPAT FIVE YEAR TREND



FINANCIAL PERFORMANCE OF THE MEMBER OWNED SUPER FUNDS

An examination of the financial performance of the Member Owned Superannuation Funds over the same five-year time period found a strong positive trend in both gross and median assets, but declines in both gross and median annual turnover. Figures 5 and 6 illustrate these trends. Total assets rose by $85.5 billion over the five years from FY2013 to FY2017. However, gross annual revenues fell by more than $10.1 billion.

FIGURE 5: MEMBER OWNED SUPER FUNDS (GROSS) TURNOVER AND ASSETS FIVE YEAR PERIOD

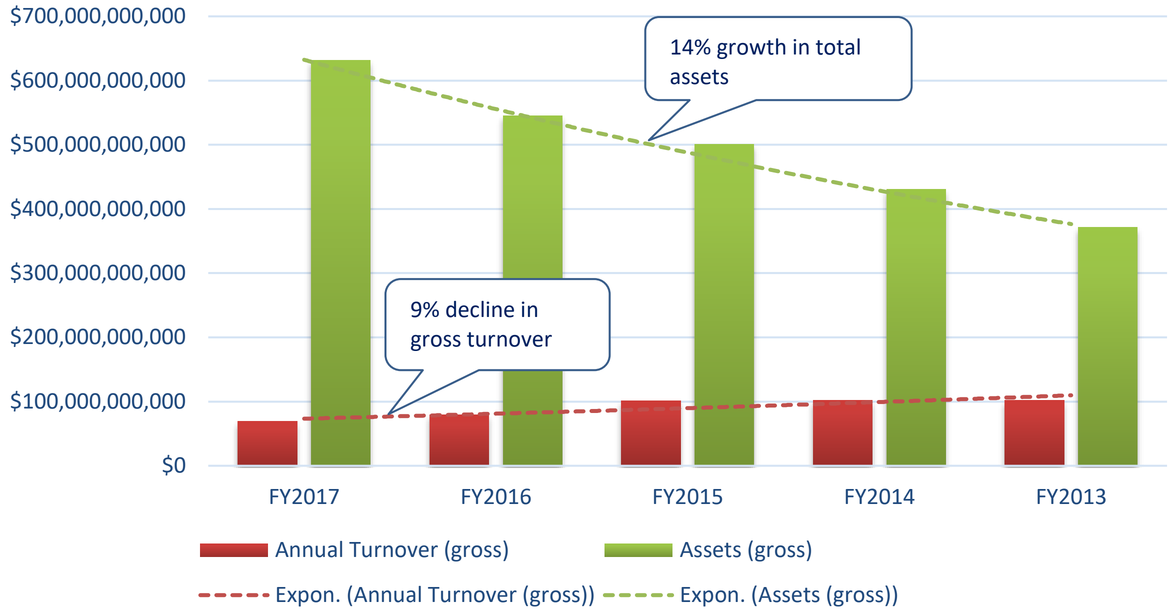
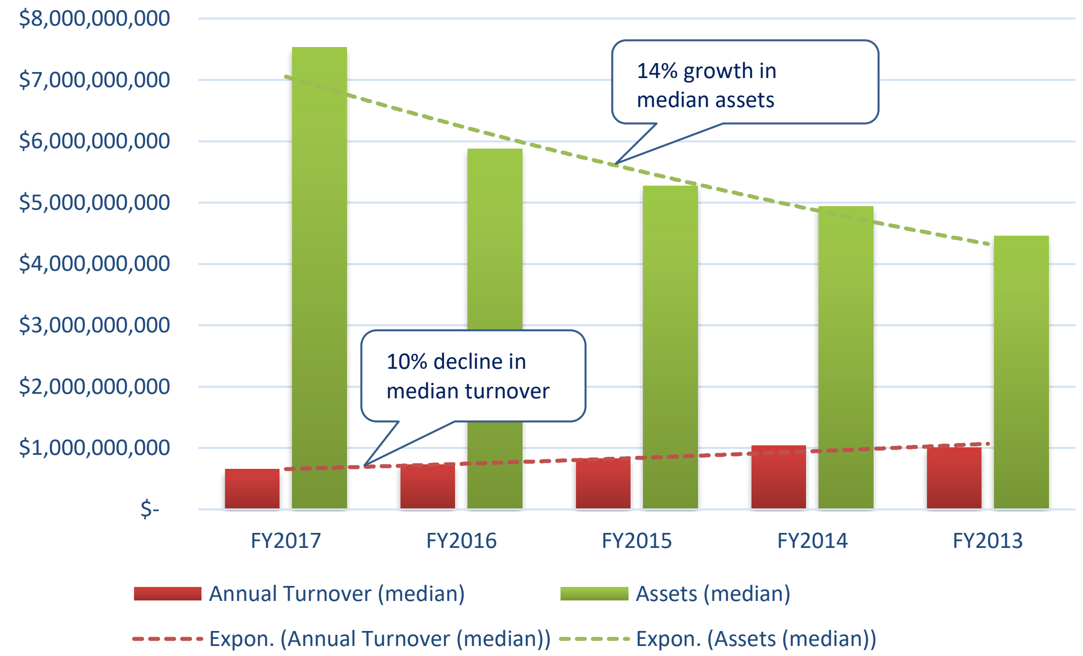
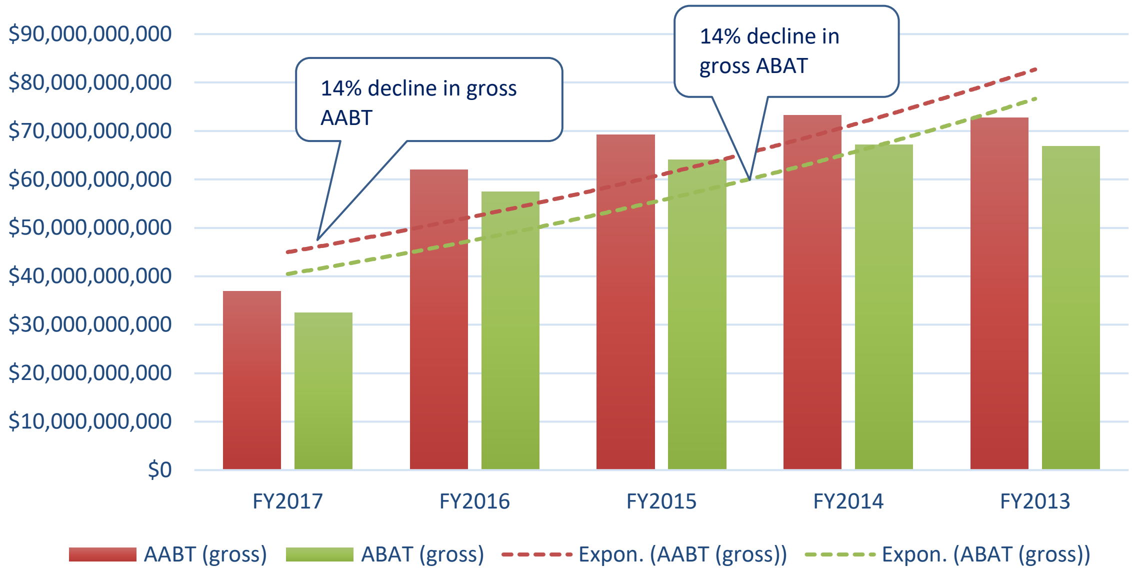


FIGURE 6: MEMBER OWNED SUPER FUNDS (MEDIAN) TURNOVER AND ASSETS FIVE YEAR PERIOD



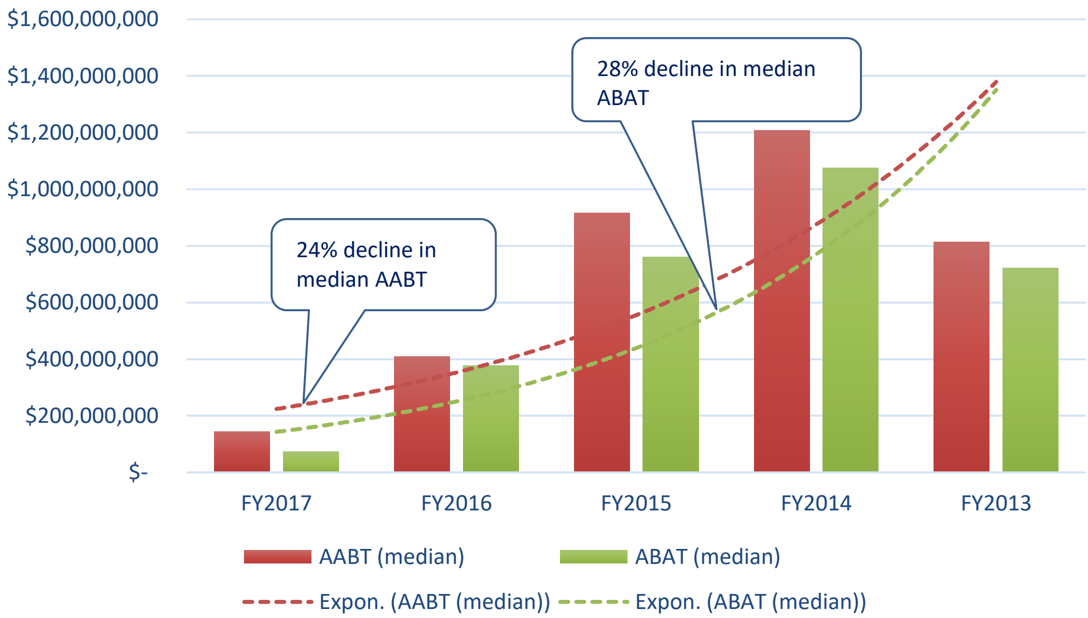
Median turnover and assets were also examined due to the variance that exists across the 40 member-owned super funds in terms of size. As illustrated in Figure 6, there was a 14% growth in median assets over the five-year period, but a 10% decline in median annual turnover, suggesting that the overall trends shown in Figure 5 were common across the sector.

FIGURE 7: MEMBER OWNED SUPER FUNDS (GROSS) AABT AND ABAT FIVE YEAR PERIOD[1]



[1]ABBT= allocation of benefits before tax. ABAT = allocation of benefits after tax.

FIGURE 8: MEMBER OWNED SUPER FUNDS (MEDIAN) AABT AND ABAT FIVE YEAR PERIOD[1]



[1]ABBT= allocation of benefits before tax. ABAT = allocation of benefits after tax.

Figures 7 and 8 illustrate the overall trends in profitability of the member owned superannuation funds over the five years from FY2012/13 to FY2016/17 with a focus on the allocation of benefits before tax (ABBT) and allocation of benefits after tax (ABAT), which are the broad equivalents of EBIT and NPAT for these firms. As can be seen, the available data from the 40 firms shows a 14% decline in both ABBT and ABAT at an overall level, and a 24% and 28% decline in median AABT and ABAT respectively. To understand these trends, it is worth noting that total AABT fell by more than $25 billion over the period FY2016 to FY2017, and ABAT fell by more than $24.9 billion during the same period. Similarly, median AABT fell by more than $264 million and ABAT by more than $303.4 million.

OBSERVATION

The financial data available from the Top 100 leading CMEs paints a mixed picture of industry performance. As noted, there has been a rise in overall annual turnover across the five-year period from FY2013 to FY2017, but when median annual turnover is examined, the trend is negative by 2.5%. This reflects declines in some industry sectors, such as agribusiness where the median annual turnover for such CMEs has declined by 3%, and in financial services, where the median revenue has declined by 11%.

Despite these trends, across the majority of industry sectors the picture is more positive, with the five-year median annual growth in revenue rising by an average of 9%. Of equal note is the decline in EBIT and NPAT, which have shown substantial declines at both the gross and median level. However, an examination of industry-level trends indicates that while some sectors have seen declines in profitability, the average trend is for modest growth in EBIT and NPAT of around 3% to 4%.

In relation to the financial performance of the industry superannuation funds, it should be noted that the annualised growth rate of the Australian superannuation industry over the past five years has been only 1.4%, with highly volatile revenue streams due to market sensitivities to international trends such as the decision by the United Kingdom to "Brexit" and leave the European Union, and concerns over slowing economic growth in China and United States threats of "trade wars."

This has led to reduced investment returns and inflows of voluntary contributions to superannuation by policy holders. Further, the federal government's decision in 2014 to freeze the Superannuation Guarantee Levy at a rate of 9.5% until 2021 has also impacted revenues. The level of competition between the investor-owned "retail" superfunds and the member-owned industry superfunds has also intensified in the past five years with both groups offering similar products and services (Wu, 2018a).

Australia's industry superfunds are not-for-profit mutual funds that offer members low fees and have outperformed all other types of superannuation funds over the past five years. While their financial performance has seen assets rise, but revenues and profits fall, this compares favourably with most retail funds which have underperformed against the industry average (Wu, 2018a).

Geographic Distribution of the Top 100 CME

The largest proportion (46%) of CMEs in the Top 100 was headquartered in NSW. This is not surprising as NSW has the greatest number of CME of all kinds. The other states and territories accounted for the remainder as follows: Victoria 17%, South Australia 11%, Western Australia 12%, Queensland 10%, Tasmania 3% and the Northern Territory 1%. Figure 4 illustrates the distribution of the Top 100 by State and Territory.

FIGURE 9: TOP 100 CME DISTRIBUTION BY STATE AND TERRITORY

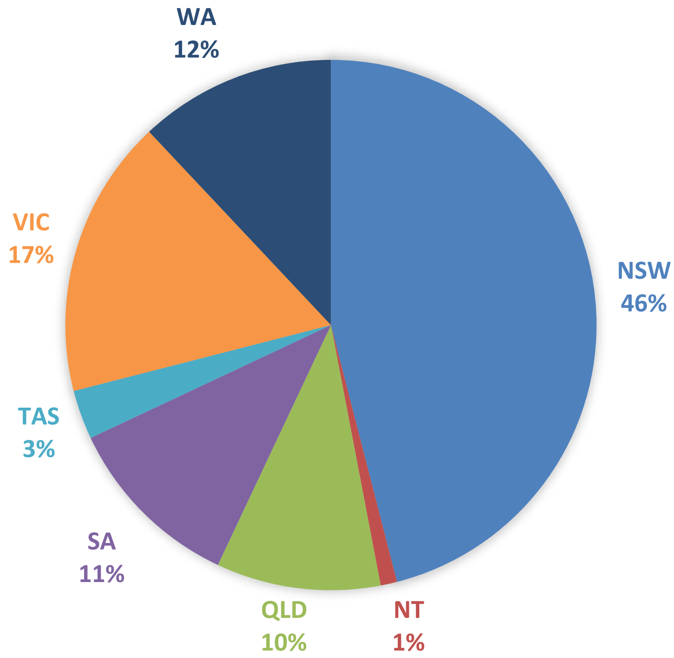
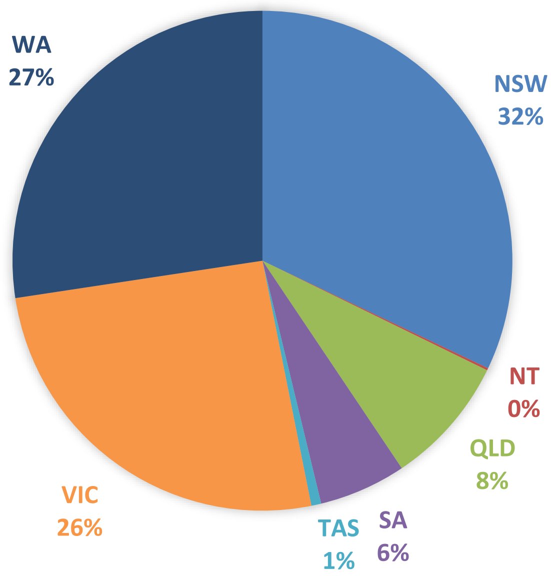


Figure 10 illustrates the breakdown of collective turnover for the FY2016/17 by State and Territory. Despite having only 12% of the Top 100 CMEs, WA accounted for 27% of the combined turnover, whereas NSW with 47% of the businesses accounted for 32% of total turnover. This reflects the presence in WA of several large CMEs, including the CBH Group, HBF Health Ltd, Capricorn Society Ltd and the RACWA.

FIGURE 10: TOP 100 CME TURNOVER BY STATE AND TERRITORY



Distribution of the Top 100 CMEs by Industry

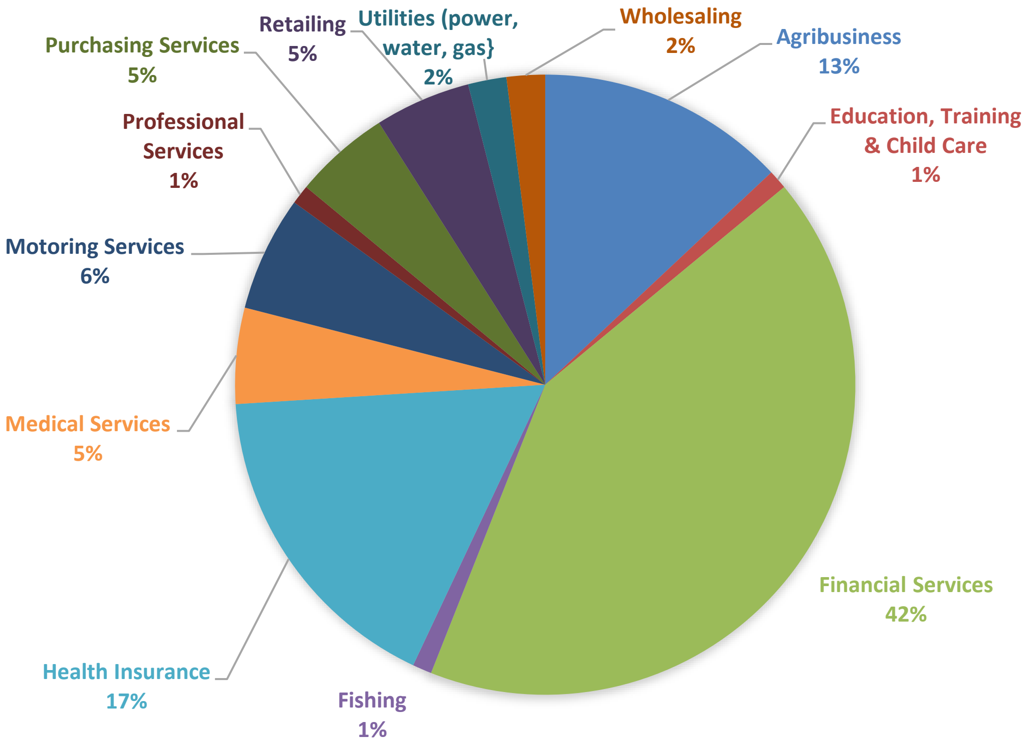
Figure 11 shows the distribution of the Top 100 CMEs by industry. These firms represent a wide range of industry sectors although the largest concentration (42%) were found within the financial services sector. This includes the customer owned banks, credit unions, friendly societies and building societies. The second largest concentration (17%) was in the area of private health insurance (PHI), where there were a large number of PHI mutual funds. The third largest concentration (13%) was in the agribusiness sector. Here were a mixture of producer co-operatives encompassing storage, handling and processing of grains, milk, meat, fruit, berries, nuts, sugar and cotton.

Financial services mutual enterprises

The Australian financial services industry comprises around 38,889 businesses engaged in domestic and foreign banking, currency dealing, non-deposit financing, credit union and building society operation and financial asset investing. It is dominated by the 'big-four' investor-owned banks Commonwealth Bank of Australia, Westpac Banking Corporation, National Australia Bank (NAB) and the Australia and New Zealand Banking Group Ltd (ANZ). Together these four banks control some 59% of the national market. The industry is worth around $202 billion and segmented into retail (51.4%), commercial (40.3%) and government (8.3%) client groups (Wu, 2018b).

Within the Top 100 CMEs are 42 out of the 119 financial services mutual enterprises identified as actively operating in Australia. These include Members Equity Bank (ME Bank), Credit Union Australia (CUA), People's Choice Credit Union, Newcastle Permanent and Heritage Bank. Over the past five years the Australian financial services sector has seen negative or flat-line growth, and the credit union and building societies have experienced significant declines in annual growth (Wu, 2018c/d).

Figure 11: Top 100 CME Turnover by Industry Sector



Within the health insurance sector, the largest private health insurance (PHI) mutual funds by annual turnover are HCF, Australian Unity and HBF Health. This industry is highly competitive, highly price sensitive and heavily regulated by the federal government. It comprises around 37 PHI funds, of which the majority are mutual enterprises. In 2018 the industry was estimated to be worth around $26.2 billion, and was dominated by four funds holding just over 70% of the market. These were Bupa ANZ Insurance (27.2%), Medibank Private Ltd (24.8%), NIB Holdings Ltd (7.5%) and HCF (10.6%) (Wu, 2018e). Over the past five years the annual average growth rate across the PHI sector has been 4.6%. An examination of the data from the PHI mutual funds shows that that have grown by an average of 14%.

In the field of agribusiness, the largest CMEs are the grains storage and handling co-operative CBH Group Ltd, the dairy co-operatives Murray Goulburn and Norco, the meat processing co-operatives NCMC and WAMMCO, and the nut producers co-operative Almond Co Ltd. These businesses represent some of the largest players in their sectors. For example, CBH Group is one of four of the largest players amongst and industry comprising around 359 enterprises. CBH holds 14.2% of the grain wholesaling market in Australia, compared to the investor-owned firms GrainCorp Ltd (11.2%), Glencore Grain (5.3%) and Cargill Australia (5.2%) (Do, 2018).

As noted above, the past five years has seen the large dairy processor Murray Goulburn Co-operative (MGC) face serious financial problems resulting in its demutualisation. At time of writing MGC had been officially sold to the Canadian diary corporation Saputo Inc. although there were still ongoing legal disputes delaying the final settlement of that deal. However, it essentially removes Australia's largest dairy co-operative from the CME register and leave Norco Co-operative as the largest remaining dairy co-operative in Australia.

The impact of the demutualisation of MGC is yet to be fully assessed. However, at its peak MGC represented around 30% of the Australian dairy producers. It also controlled 42.5% of the national milk powder market (Tonkin 2016a), 26.9% of the butter and dairy market (Tonkin 2016b), 31.3% of the milk and cream processing market (Tonkin 2016c),

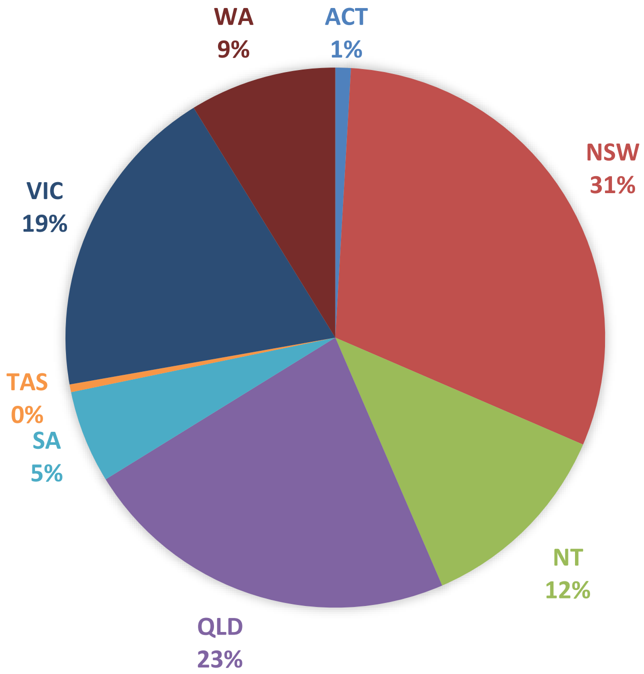
From 2018, Australia's dairy industry will be dominated by the New Zealand Fonterra Co-operative Group (which does not operate as a CME in Australia), Canada's Saputo, Japan's Kirin owned subsidiary Lion and France's Parmalat Australia. Together these four foreign-owned subsidiaries control around 56% of the Australian milk and cream processing industry, leaving remaining co-operative Norco with around 4% to 5% (Thomson, 2018a).

Aboriginal and Torres Strait Islander CMEs

There are 216 CMEs that are owned and operated by Aboriginal and Torres Straits Islanders (ATSI) community groups. This represents around 11% of the total. As shown in Figure 12 these ATSI community CMEs are distributed across all states and territories, with the largest concentrations found in NSW (31%), Queensland (23%), Victoria (19%), the Northern Territory (12%) and Western Australia (9%). The relatively high proportion of such CMEs in the Northern Territory, and Queensland reflects the high proportion of regional and remote Aboriginal communities in these areas.

The majority (70%) of ATSI CMEs are found in the medical services sector, followed by community services (13.9%), housing (5.6%), arts and culture (4.2%), education, training and childcare (1.9%), then a range of other sectors. However, there is a considerable overlap within these enterprises as they seek to provide a holistic approach to the service of their communities. The majority are non-distributing (not-for-profit) entities and many are ACNC registered charities.

FIGURE 12: ABORIGINAL AND TORRES STRAIT ISLANDER CMES BY STATE AND TERRITORY



Six ATSI businesses are listed in the Top 100 CMEs list for 2018, these are:

- Victorian Aboriginal Child Care Agency Co-operative Ltd [VIC].
- Institute for Urban Indigenous Health Ltd [QLD].
- Central Australian Aboriginal Congress Aboriginal Corporation [NT].
- Aboriginal and Torres Strait Islander Community Health Service Brisbane Ltd [QLD].
- Mallee District Aboriginal Services Ltd [VIC].
- Apunipima Cape York Health Council [QLD].

In the following sections of this report we overview case studies of CMEs with a specific focus on the shared services sector.

INDEPENDENT LIQUOR GROUP: PROVIDING CHOICE AND FLEXIBILITY

The liquor retailing sector in Australia in 2017 was estimated to be worth around $11.7 billion, and has enjoyed an annual growth rate of 2.4% over the past five years. It is made up of approximately 2,371 businesses, the majority of which are small, independent, family-owned and operated small to medium enterprises (SMEs) (Tomson, 2018b).

Although the forecast is for continued growth of around 2.5% over the next five years, the industry is dominated by a small number of large, investor-owned firms. The largest of these is Woolworths Ltd, which owns a range of retail chains (e.g. *Dan Murphy's, BWS, Woolworths Liquor, Langton's, Cellarmasters, Winemart*). This ownership of major retail brands, including the largest "big-box" stores, has enabled Woolworths to capture 45.4% of the national market. Woolworth's buying power and retail network has seen its revenue growth at an annualised rate of around 3.8% over the past five years, which is significantly higher than the industry average (Tomson, 2018b).

In second place is Wesfarmers Ltd, which owns a further range of retail liquor stores (e.g. *Liquorland, Vintage Cellars, First Choice Liquor, Coles Online*). Like Woolworths, Wesfarmers has grown its market share through its ability to discount and provide a wide range of retail store distribution including the large "big-box" outlets. In 2018 Wesfarmers controlled 18.6% of the national market. Other major players are Independent Brands Australia (IBA), a subsidiary of the grocery wholesaler Metcash Ltd, and owner of the *IGA Liquor*, *Cellarbrations* and *Bottle-O* retail chains. IBA controls a further 9% of the market. Finally, there is ALDI Stores Supermarkets, a wholly owned subsidiary of the German company ALDI Einkauf GmbH & Compagnie oHG. In 2018 ALDI held a market share of around 3.5% (Tomson, 2018b).

Operating within this intensely competitive market environment is Australia's largest liquor co-operative, the Independent Liquor Group (ILG). Established in 1975 by a group of independent hotel and bottle shop owners, the co-operative is now a major business comprising two separate but related co-operatives with a combined annual turnover of just over $773.5 million. ILG's dual co-operative structure was adopted in June 2000 with the objective of gaining the full taxation benefit of co-operative loans offered by the NSW Treasury Corporation. The change in structure allowed ILG to build its first distribution centre. More than 1,200 small licensed liquor stores, hotels, clubs and restaurants across NSW, Queensland and the ACT are members of both co-operatives (ILG Suppliers Co-operative and ILG Distribution Co-operative). ILG Suppliers Co-operative also includes large liquor suppliers in membership.

ILG owns five banner groups: *Bottler*, *Super Cellars*, *Pubmart*, *Clubmart* and *The Liquor Co-op*, which provides the group with significant buying power as a result of the additional marketing and promotion opportunities that this provides. ILG also has a sophisticated supply system with the ILG Logistics Contract Warehousing and Distribution Solutions. This has wholesale distribution centres located in Western Sydney, Brisbane and Townsville. This offers a range of warehousing, handling and distribution services to members and can provide specific customised supply chain solutions to members (ILG, 2018).

Within the Australia liquor wholesaling industry, there are around 1,995 businesses, with a combined annual turnover of $5.3 billion. This sector has been growing at a rate of 1.6% annually over the past five years and is forecasted to grow at a modest 1% over the next five years (Thomson, 2018c). Competition in the liquor wholesaling industry is high with Metcash and the ILG Group together controlling around 70% of market share. Metcash Ltd, is a publicly listed company that is Australia's largest wholesaler of food, liquor and general merchandise with 67% of the total market. ILG Group currently has around 6% of the national market. Other major players are Brown-Forman Australia Pty Ltd with 4% market share and Beam Suntory Australia Pty Ltd with 3.9% (Thomson, 2018c).

THE REASONS FOR FOUNDING THE CO-OPERATIVE

The overarching member value proposition (MVP) for the ILG Group is the ability to work collectively to secure and maintain a competitive position in a marketplace dominated by a few very large investor-owned firms. This was the key motivating factor that led to the foundation of the co-operative in the mid-1970s. As explained by the ILG Chairman Chris Grigoriou:

> *"So, going back approximately 42 years ago a bunch of hoteliers and bottle shop owners got together and said, 'hey, look why don't we form a group where we can make a buying group so that they could get a better deal for their stores. They leased a little warehouse in Blacktown, then offered the products to other hoteliers and bottle shop owners the products, then as they grew, the co-operative model emerged with the members buying the shares. So, the basic idea was to return all the value back to the members."*

The first co-operative founded was the ILG Distributors Co-operative Ltd. This operated for several years before the foundation of the ILG Suppliers Co-operative Ltd, as a complementary business to link up the entire supply chain. A key factor motivating the foundation of the co-operative was the power of the major supermarket chains to control prices and undercut the smaller distributors. At that time the major liquor wholesaling business was Metcash Ltd., which was then known as Davids Ltd., a grocery business founded in NSW in 1928 by Joe David.

A key element in the ILG business model is the ability to establish sufficient scale economies through collective purchasing that it enables the distributors to secure the most competitive prices they can. This was the main factor driving the formation of the co-operative in 1975 and it has remained the case to the present. Further, this economy of scale through collective action has value not just on the wholesale prices of liquor, but across a wide-range of equally important areas such as marketing, advertising and logistics. As Paul Esposito, CEO of the ILG Group explained:

> *"You talk about the value proposition, it is essentially about scale. It gives us better buying power, and this is not just in terms of the alcohol, but when it comes to media, point of sale etc., it gives us that bit of extra power to create value that we pass back onto the membership."*

MANAGING BOTH SUPPLIERS AND DISTRIBUTORS

While the management of two separate but interrelated co-operatives representing suppliers and distributors in membership may appear to pose potential managerial challenges, this is not the experience of the ILG Group. For the members of the supplier's co-operative, the value proposition is their ability to secure larger distribution for their product at lower transaction costs, but to also achieve better value across a range of measures. As noted by Paul Esposito:

> *"For the suppliers, their motivation to get involved is based on the objective of pushing their products, and making sure that their products are positioned well, priced well, and placed into out promotional calendar and buying cycle."*

The membership of the ILG Suppliers Co-operative is relatively small and comprised of larger firms. By contrast the membership of the ILG Distributors Co-operative is large and consists of mostly small businesses, which requires more proactive management by the executives and directors of the co-operative. While suppliers are minority members (and only in the ILG Suppliers Co-operative), the value of this structure is that it allows suppliers and distributors to work together for the long-term sustainability of the industry. The diversity of the membership found in the ILG Distributors Co-operative requires the board and management of the ILG Group to be flexible and responsive to meeting the needs of different groups.

According to the ILG Group management this flexibility takes the form of offering special prices and supply arrangements within the co-operative than might be the case in other banner groups. In addition to attractive prices, promotion and supply arrangements, the distributor co-operative members receive a rebate that rewards them for their patronage.

The ILG Group is a "distributing co-operative", and its members must purchase shares upon entry. This varies across the two sides of the co-operative, with different amounts of share capital purchased at different prices. However, all share capital is returned at par value when the member leaves and does not appreciate, nor can it be transferred. This makes rebates the only financial distribution available to the co-operative's members, and rebates are only paid to the members of the IGL Distributors Co-operative. The ILG Group board has not yet considered making use of Co-operative Capital Units (CCUs) (see Mamouni-Limnios et al., 2016).

ILG Group's distributor co-operative's membership is divided into two tiers. The Tier 1 or "Banner Group" are those members who operate under the *Super Cellars* and *Bottler* brands. These members contract with suppliers to distribute a specific volume and range of products, coordinated via dedicated marketing and promotion campaigns. For this, the Tier 1 members receive higher rebates as a reward.

The Tier 2 group operate under the *Pubmart*, *Clubmart* and *Liquor Co-op* brands. This second group, who are mostly smaller operators, receive slightly reduced rebate distributions than the larger "Banner Group" members. This reflects the capacity of the smaller distributors to commit to the volume and range of products that the larger members can accommodate. The differences in rebate returns for the two groups is therefore determined by the overall volume of sales and the range of products sold by the distributors.

MAKING THE MEMBER VALUE PROPOSITION

According to the ILG Group's Chairman and CEO, the main member value proposition (MVP) for the co-operative is to assist its members to compete in what is a highly competitive and oligopolistic market. The pricing and rebates offered by their competitors to suppliers and distributors must be closely matched or bettered by the co-operative. As explained by Chairman Chris Grigoriou:

> *"Whatever their offering by way of rebates we have to match, or better. That's how we're compared and that's what they're looking at. The average bottle shop owner or hotelier will be looking at the pricing of the products, the finance fee, and the freight. This what they will be comparing against each other and we have to put the business case forward to attract new members."*

Despite the importance of financial issues in attracting and retaining members, the ILG Group is also aware of the need to build its value proposition to members on non-financial issues. This includes the sense of mutual ownership in the co-operative amongst members, and the resources, assets and systems that it is able to deploy to assist its members. This includes the ability of the co-operative to collectively market its members businesses to the wider community in the face of massive marketing and advertising by the major investor-owned-firms. As CEO Paul Esposito explained:

> *"So, we're under attack by the opposition and the price at the till matters, but we also need to come up with strategies to ensure that the members get footfall into their stores. So, it's a total mix and it is the marketing aspect that our members are really looking for at the moment."*

He noted that getting all the members onboard to support and comply with a marketing campaign was challenging. This particularly applied to smaller distributors in regional towns where the level of competition was much less than found in major cities. However, in those cases the members were allocated into the Tier 2 group. As such they did not face the same level of compliance required as would be expected from the larger Tier 1 group, and this accounted for their reduced rebates. Yet it was important for the co-operative to get its supplier and distributor members to cooperative so as to deliver value to both sides. As Esposito explained:

> *"You talk about the bigger challenges, we've got suppliers who basically pay for certain compliance, and getting our distributor members complying with it is our biggest challenge to me. So, its complex but I think all co-operatives have the same issues."*

A key part of this challenge is the relative diversity found within the membership base of the distributors. Some members were operating in close proximity to a "big box" store such as a Dan Murphy's, while others were based in small country towns where they essentially had little or no competition. The focus of the ILG Group was on ensuring that the margins made by all members were sufficient to enable them to remain financially viable.

Balancing the interests of the supplier members with those of the distributor members was an ongoing activity undertaken by the ILG Group's management team. This often arose over product mix, when the major investor-owned distributors heavily promoted or discounted particular products sometimes selling at prices below what the ILG Group distributors could buy the same products from the ILG Group suppliers for. Despite these issues the general engagement across the two co-operatives was positive, and the ILG Group management invested a lot of time into researching the products that need to be distributed, and while they did not always get it right, they did communicate this research to the members who were able to use it to plan their purchasing.

Marketing our co-operative advantage

Co-operative and mutual enterprises have been encouraged to use the strengths inherent within their business models within their marketing communications by what has been described as "Marketing our Co-operative Advantage" (MOCA) (Webb, 1996). This is something that is well understood by the ILG Group's board and management team.

Operating in a highly competitive market environment the members of ILG Group understand that they are better off working within the co-operative than they might be trying to operate alone. For the distributors, this is particularly the case as they are generally too small to maintain their sustainability in the face of the large competitors. This is a message that the co-operative communicates to its members all the time, as noted by Esposito:

> *"We communicate this regularly. We hold different forums throughout the year where we can present that. So, what Metcash do to combat that is what might be described as cheque book warfare. They say to our members, 'OK, we understand that you belong to co-op, but here's some money please sign up with us'."*

He noted that for many small distributors, particularly those who might have just taken over a new liquor store or hotel, the cash flow is tight, and the largest cost for them is the purchase of their stock. The distributor members were now comprised of an increasing number of migrants from a range of backgrounds who purchased a small bottle shop or hotel to make a living. Many find that the liquor licensing and compliance issues that regulate the industry imposed a burden on them in trying to establish their business. ILG Group supports these members not only with competitive pricing, but also with education and training to assist their members to deal with these regulatory and compliance issues. This ability to demonstrate their value to the members was a strategic focus of the co-operative. As Paul Esposito explained:

> *"We're trying to be more than just a box mover. Our plan going forward is to provide our members with HR support, assisting with store layouts, work health and safety management, the training of their staff. This is what a co-operative should be about."*

Delivering this message to the members is a key focus of the ILG Group and how it markets its co-operative advantage

> *We communicate this regularly. We hold different forums throughout the year where we can present that. So, what Metcash do to combat that is what might be described as cheque book warfare. They say to our members, 'OK, we understand that you belong to co-op, but here's some money please sign up with us'."*

The co-operative works actively to retain its members' loyalty, and seeks to add value to the MVP that goes beyond pricing.

FUTURE DIRECTIONS FOR ILG GROUP

Despite their success, the ILG Group is not complacent and recognises the need to adapt to changes in the market. One area is the need to move their business and that of their members more into the digital market place. As Paul Esposito explains:

> *"We're moving more towards a digital space. A lot of the decision making when it comes to the purchasing of alcohol is done when people are looking at their screens, and you may get a small percentage that get an impulse to purchase when they walk into stores. So, we're working to educate our members about how this process works."*

The co-operative has purchased a store in Victoria and leased another store in Sydney where the company can trial various retail strategies. These company stores will allow the co-operative to test and develop best practice and use the findings to educate and inform their members in the operation of their own retail outlets.

Currently the co-operative's distribution network is located in the ACT, NSW and Queensland. However, it is planning to open a series of stores in Victoria that will be owned and operated by the co-operative, and to use these to boost volume at the national level, and address issues of tight or "lean" margins. By increasing the volume of sales through an expansion of the co-operative's national distribution network it will be possible to improve the co-operatives profit margins and pass the benefits back to all members.

As explained by Esposito:

> *"We can't do our Victorian strategy without the support of our co-operative's members in the ACT, NSW and Queensland. However, it gives us the ability to trial new initiatives, the members will then see what we are doing in our concept stores, and we're hoping that this will be enough to get everyone onboard."*

It was noted that this shift to new, and increasingly digital, approaches to retailing was not always understood or appreciated by all members, and that it might take a "generational change" with younger members coming into the co-operative to fully engage all members in these strategies. Chairman Chris Grigoriou agreed supported this view and further explained the underlying logic of the Victorian strategy:

> *"So, instead of investing in a large warehouse, we've decided to go with a retail outlet and start to build our own brand down there. If we can pop up a few stores with our own brand, we can say, 'look here's our new brand, we've been operating in Queensland and New South Wales for over 40 years, would you like to come along and join us?' This is a much better return for the members in Queensland and New South Wales."*

The board was still to finalise how it might distribute the profits from this Victorian retail network, but if it proves successful this could potentially involve issuing distributions to all members across the other states.

Establishing a network of company stores in Victoria rather than simply expanding the co-operative into that state along the lines of the existing business was justified by the ILG Group board on the need to achieve rapid market share and scale economies. As explained by Esposito:

> *"It gives us scale. The terms that you negotiate with suppliers are based on scale, compliance and data. Suppliers want to see data on product volume, price point etc., and having that information we can secure attractive prices and this can generate additional income that we can give back to members."*

He agreed that the roll-out of a network of independent members across Victoria was feasible, what the company store model offered was potentially greater agility and coordinated marketing strategy. In particular the ability to segment target demographic groups within the retail market and offer specialised products. The co-operative doesn't plan to rule out supporting small distributors in Victoria, but it needs to increase its scale economies rapidly and that will offer value to all members.

At time of writing the first of the ILG Group's corporate stores in Victoria was planned for launch in November 2018, with a plan for up to 6 or 7 stores to be established there over the following 3 to 4 years. The branding of the company store network was evolving, but the first store would operate under *The Liquor Co-op* brand. This would help to position the store as a co-operative, owned by the small businesses and family communities that comprise the co-operative's membership base. According to Chairman Grigoriou:

> *"If you look at the long-term plan for Victoria, once we get the stores up and we can create a brand, we can then start to get people to start joining up and joining into this new banner group. I think that the next step would be to establish a warehouse there. Then we can use the same model as we have in the other states. There are a lot of states and territories, such as the Northern Territory, who have no idea who ILG is or what we do."*

SOCIAL VALUE

The focus of the ILG Group is not entirely on the delivery of economic value to their members. They also work diligently on enhancing their members' connectivity with each other and across the suppliers and distributors to share information and best practice knowledge. In addition, they have given generously to community projects and are looking into the creation of an ILG Foundation, that will be funded by events and donations.

RAPID GROUP CO-OPERATIVE: THE CLEANING SUPPLY EXPERTS

The commercial cleaning services sector encompasses a range of specialised activities for both business and domestic needs. This includes general cleaning (e.g. floors, windows and window treatments). There are around 29,517 businesses engaged in the commercial cleaning services sector and the entire sector was estimated to have a revenue stream of more than $12 billion (Allday, 2018). The commercial cleaning and maintenance suppliers and distributors sector that supplies the cleaning services industry is smaller, with around 262 businesses and a revenue of around $2 billion. This sector has enjoyed strong growth over the past five years of around 3.7% (IBISWorld, 2018).

Industry growth within the commercial cleaning services industry in Australia is forecasted to rise by around 3.2% over the period 2019-2024, which suggests a positive outlook for the commercial cleaning and maintenance suppliers and distributors sector. Operating within this dynamic market environment is the Rapid Group Co-operative (RapidClean), with over 60 members' stores located throughout Australia and New Zealand. The co-operative provides a cost-effective "one-stop-shop" for their customers to source the supply of products that are used in cleaning. These include cleaning fluids and materials, as well as equipment (e.g. floor polishers, vacuums, sweepers and scrubbers), as well as "consumables" (e.g. plates, paper towels, tea and coffee).

Founded in 1985, RapidClean commenced operations as a buying group within the Rotobic commercial floor polisher suppliers located in NSW who wished to collaborate in order to gain greater bargaining power in relation to the sourcing of chemicals, floor polish, floor polishing equipment and consumables. The Rotobic floor polisher was manufactured in Australia and the distributors were independent business owners. Since that time the Rotobic manufacturer has been acquired by the large German manufacturer Hako GmbH, which specialises in commercial cleaning equipment.

According to RapidClean CEO Bruce Lees, the original motivation for the creation of a co-operative remains uncertain, however, he suggested that it was a good business model for the needs of the members to help them solve their problem of enhancing their bargaining power in the market:

> *"Well, the reason for choosing a co-operative business model predates my time, but I think that it was simple, they all could own shares in it, and they could manage it. There was no management structure in those days, it was a very simple business, just half a dozen small businesses trying to buy something better than they could individually. Nothing more sophisticated than that, and I think they didn't really form a co-operative company until 1991."*

Since that time RapidClean has grown and expanded across Australia and across the Tasman to New Zealand. However, its growth has not been without its challenges and much has depended on the co-operative's ability to offer and sustainably deliver a clear member value proposition (MVP).

MAKING THE MEMBER VALUE PROPOSITION

According to Bruce Lees, the evolution of RapidClean since the 1980s has seen it grow rapidly only to face periods of downturn.

> *"It's really ebbed and flowed over the past 20 odd years, it had some really good growth, and was really starting to make some inroads into the marketplace through its buying power, and it had lots of the major players start to buy in. Then the issues that it started to have were about the different reasons for being a member. For example, whether they were located in a capital city or a regional town."*

He explained that the largest cost for regional members is freight and as such these members were keen to have special deals on supply that included freight discounts. By contrast the members located in the capital cities were more interested in reducing costs in order to offer lower prices. As the freight costs to the regional members became absorbed into the wholesale prices of the city members they grew dissatisfied. This triggered an "us and them" situation between the regional and urban member communities. As Lees noted, this remains a problem through to the present:

> *"Because Australia is so big, it is one of the challenges that we still face today. How do you make sure that every member is better off for being a member? That's what nearly tore it apart."*

This tension between the regional and urban based members built up during the late 2000s to a point where it led to a split within the co-operative. In 2007-2008 a sub-group of members based in the cities set up a rival operation known as "SmartClean." Their motivation to do this was largely driven by their dissatisfaction with the co-operative subsidising freight costs for regional members. This business didn't survive.

By 2010 RapidClean had 26 members located only in Australia and no representation in Sydney or Melbourne. At that time Bruce Lees had just taken up the role of CEO, and says that he did so primarily on the basis of what he saw the company could potentially achieve rather than what it had been doing. Amongst his first actions were to visit members and talk to them about why they had joined and the value they felt they were getting from their membership. As he explained:

> *"It was a business with potential, but no real strength in the marketplace. So, I took on the role based on the fact that I could see what this company could do more than what it was actually doing. When I went and visited the members and asked why did you join and why are you still a member, it was a case of them saying, well, we could see that if we all bought together we'd be better off than we are individually, but why we're still members we're not really sure because most of the benefits we thought we would receive have not eventuated!"*

To address this problem, he began to take steps to offer value to members in often small but important ways. This process of continuous rather than radical change and improvement in member engagement and value creation has remained the approach taken by Bruce Lees over the past eight years. This was expressed as follows:

> *"What we have been able to do is give our members just little, or small advantages, and keep moving them forward from where they were. We continue to do this, we don't try to rebuild a business from the ground up. Each of our member businesses within the co-operative are individually unique. So, trying to make them all the same is pointless. We're not a franchise, in fact we're very separate from a franchise model."*

According to Lees the first step in communicating the MVP to members is to get a full understanding of the member's business. For example, members located in the capital cities are typically frustrated by their ability to win business on their own. Many who have joined the co-operative have lost business and they turn to RapidClean to help them regain or keep business. In addition, most members are small firms with between three and 15 employees. These firms generally do not have dedicated marketing personnel within the business. The co-operative assists here by preparing marketing and sales materials that the members can quickly customise to add their own contact details or other specific attributes to give them a professional appearance at low cost.

Providing the members with better access to suppliers is another major part of the MVP that RapidClean is able to offer. This can be a particular concern for members located in the regional areas. These members often find it difficult to get access to specific brands and RapidClean is able to source and supply these products to them due to its bulk purchasing power. The co-operative requires all its suppliers to sell to all members regardless of where they are located.

MANAGING A CO-OPERATIVE IS NOT LIKE MANAGING OTHER BUSINESSES

This unique nature of the co-operative business model was, according to Lees, not always recognised by the management of RapidClean. Prior to taking on the CEO role there had been efforts by management to impose more uniform and centralised systems across the network in relation to stock and marketing, much as might be found within corporate or franchise business models. This approach was described as "more about power" by the co-operative's management team. However, as Lees noted the management approaches that might be relevant to corporate or franchise business models don't apply well within co-operatives, stating that "Co-operatives' weaknesses are its disciplines."

As explained by Lees, the often-idiosyncratic nature of members within a co-operative means that they cannot be managed like a franchise or corporate enterprise. One example is when the co-operative seeks to win large national group accounts where the customer wants a uniform distribution of products across the country at the same price. However, often members will not agree to stock a given product or to sell it at a standard price across the network. This, he suggested, is a common problem for co-operatives of this kind:

> *"I've spoken to some international co-operatives' CEOs who manage much bigger groups in the United States and Britain, and they say to me, just focus on making every member better off being a member and you'll be able to achieve things. But, if you try to make it anymore sophisticated than all you will do is upset people."*

INTERNATIONAL EXPANSION

Relatively few co-operatives expand outside their country of origin, and the expansion of RapidClean into New Zealand only took place in 2017. According to Lees, the discussions with New Zealand members commenced around three years prior to the co-operative's entry into this overseas market. This involved discussions over the potential value of the co-operative business model to the New Zealand suppliers, and a suggestion that the absence of costly freight charges, as found in Australia, would make the MVP even more attractive. However, the response from New Zealand members was not initially that warm as Lees explained:

> *"We were excited about the New Zealanders' model far more quickly than they were. In fact, at first, they were quite cynical. They obviously didn't like Australians coming and telling them what to do. We took a long time to convince four guys to throw their hand in the air and say, 'we believe', but we eventually go there and the four guys who came on were able to help us convince another seven to come on. So, within 12 months we had 11 stores in a country which is phenomenal growth. We've almost got complete coverage."*

To consolidate this rapid expansion in New Zealand, RapidClean hired a new manager to look after the network in New Zealand. This manager was an expatriate New Zealander, living in Australia, who wanted to return home to live with his family. In Lees' view this was a "perfect scenario", and ensured that a New Zealander was going to represent the Kiwi members within the co-operative. In fact, RapidClean held their 2018 conference in New Zealand to recognise the importance of the international nature of the co-operative.

One of the factors motivating the New Zealand members to join the co-operative was that they recognised the potential for RapidClean to help them compete with the large multi-national firms that generally dominate the industry. Yet, this Trans-Tasman expansion was met by the investor-owned firms who compete with RapidClean with the accusation that: "look they're owned by Australians now." While this is not the case it is a perception that might damage RapidClean's brand image, so the co-operative is working hard to maintain the "Kiwi connection" within the network. It was therefore very important to have New Zealand managers running the business operations in New Zealand.

An interesting aspect to the decision by RapidClean to expand into New Zealand was that it was a strategy driven less by profit and more by a desire to offer value to the corporate customers with which the co-operative secures its major contracts, as Lees explained:

> *"The reason for us setting up over there is not to generate profit, it is really to help engage with customers. So, where we chase a national account opportunity here, we'd regularly hear them say, 'are you in New Zealand?' We would then have to say, sorry we can't help you there. It was just hearing enough of that to convince us to realise that we probably would need to go and do something or at least explore whether there was an opportunity there."*

At the time RapidClean commenced its market entry into New Zealand, the local market there was, in Lees' words, "in a bit of a mess." A large multi-national firm had bought a local firm and then sold it, and a major family business had been restructured, and an older, established firm, needed revitalisation. All these conditions provided RapidClean with a good environment to deploy its market entry strategy:

> *"The environment there was just ripe, and so when we put up a decent business model all the guys over there said, we're in! Because, individual cleaning supplies shops in Christchurch, Otago and Auckland can't supply the country so they were losing business. What's happening in our market, and perhaps most markets, is that centralised purchasing decisions have made it difficult to sell directly to smaller buyers. They are now all part of groups, with purchasing managers in the capital cities like Auckland, Sydney or Melbourne. So, the local supplier simply can't win the business anymore."*

COMPETING IN AN INCREASINGLY CONCENTRATED AND NATIONAL MARKET

The situation in New Zealand of small suppliers experiencing difficulty in winning business due to the centralisation of procurement is a problem also found in Australia. According to Lees, this centralisation has changed the dynamics of how the small supplier need to operate. Much less value was being placed on the personal relationships within the local community and the quality of services being provided. Now the national procurement managers were predominately interested in reports relating to on-time delivery, cost control, and other non-service measures. This was a problem because the key differentiator for RapidClean's members was their service quality.

This realisation of the changing nature of the market environment led RapidClean, to create a National Account program in 2014, whereby the co-operative would collectively tender for large national and international supply contracts, and then distribute the work across its member network by encouraging its members to join these tender bids. As Lees explained, the New Zealand members were amongst the most responsive to this national account program.

To compete in this national account market, RapidClean has had to invest in the development of its internal systems to ensure that it can meet the requirements of such tenders and satisfactorily deliver against the contracts. As explained by Lees:

> *"So, we're busy trying to make sure that all that back of house stuff works. Because you can't win the national account program until you get this stuff right. So, if you've got no brand presence, if you're buying poorly, if you've got no consistency of product availability, then you can't chase a national account."*

As a network of small businesses, the co-operative serves as lead agency in bidding for large supply contracts with state governments, large contract cleaning companies that have national accounts and similar procurement deals that none of their members can do alone. This remains a key focus of the co-operative, looking for things it can do that its members cannot do by themselves.

Marketing the RapidClean co-operative advantage

In its quest to secure national and international contracts for its members, RapidClean has invested in the development of its brand. This is viewed strategically as a key asset in successfully competing for national accounts. As Less explained:

> *"Marketing is the big thing that I think many people underestimate. We spend a lot of time and money building the RapidClean brand through the co-operative's website, as well as via trade shows and other activities in order to build the recognition so that when our members knock on the door and say they're from RapidClean it actually means something."*

Identifying the positioning of the RapidClean brand is a potential challenge as is often the case for co-operatives. As a purchasing co-operative supporting a network of small cleaning equipment and products distributors, RapidClean must negotiate with its members over whether or not they carry the co-operative brand. This in turn evokes different responses from the members. Lees estimates that less than 10% of the group's overall turnover is attributed to walk-in, over the counter retail trade. The majority of sales are business-to-business, typically selling to large contract cleaning companies, facilities services firms and maintenance contractors. In addition, RapidClean derives a good proportion of its business from supplying to the hospitality industry (e.g. restaurants, clubs, hotels). It also sells to manufacturing companies and government agencies, hospitals, aged care and child care organisations, all of which need to regularly clean their facilities.

> *"The great thing about the cleaning supply industry is that almost everyone is a potential customer. Every business buys products such as paper towel, toilet paper, hand soap, or more sophisticated things like stone or timber floor care products."*

To assist its members in marketing the co-operative advantage RapidClean employs professional national account managers who take on the responsibly of winning tenders and then coordinating the large supply contracts. These contracts are then allocated to members, usually on the basis of geographic location and area of speciality or product range. Once this is in place, the national account customer sends its orders for supplies to the co-operative, which in turn distributes these out to the members to supply the goods. The members then invoice the co-operative, which then invoices the customer. This reduces the transaction cost to the customers because they will get one invoice rather than many separate ones.

However, as important as national accounts are, this type of business is still only around 10% of the total turnover. The majority of the co-operative's revenue flows from its members winning contracts in their own right and the value added by RapidClean comes from assisting members to get better buying power in the sourcing of their products, and increasing their access to suppliers that might not otherwise be accessible. This relates to criteria such as annual turnover that small firms would not normally be able to meet alone.

Another way that RapidClean assists both its members and the suppliers is through the centralised processing of invoices. As explained by Lees:

> *"So, our member will place an order to a supplier for the goods, and the supplier will invoice us at the head office, and then we will invoice the member. So, we carry the debt. The only reason we do that is that it enables us to get better terms out of the suppliers. This can result in getting a better rebate program, or better freight conditions that we can then pass onto our members. But, whatever it is, it is about creating leverage. So, the supplier, like the national account program customers, wants simplicity. They don't want to chase 50 stores for payment, and we pay on time every time so there's that reliability."*

In addition to these benefits RapidClean provides all its members with space on its website, which includes a "find a store" locator designed to help guide potential customers to the members' websites. According to Lees the RapidClean website attracts over 1,000 hits a month on the "find a store" page, and the volume of online traffic has been growing at a rate of 20% to 25% per year. The website also offers a facility to take online requests for quotations from members, which are then distributed by the co-operative. The co-operative also serves as a support for its members, for example, in helping resolve disputes with suppliers or major customers.

FINANCIAL CAPITAL ASSETS AND SHARE DISTRIBUTIONS

RapidClean members all hold 500 $1 shares in the co-operative but there is no distribution of dividends or appreciation or transferability of this share capital. Any financial distributions are in the form of rebates that are issued before the final profit is assessed. These typically come from supplier rebates that can be passed onto members on the basis of the volume of business that they have transacted, as explained by Lees:

> *"So, we might have a supplier who pays a 3%-member rebate, and then we work out what each individual member has spent with that supplier and pay their 3% back to them at the end of the financial year."*

In terms of financial capital, the co-operative has never felt the need to raise additional equity, such as via the issue of co-operative capital units (CCUs). It has no debt and has generated surplus profits for the past decade. It also has relatively low overhead costs as it doesn't have warehouses or other substantial assets, mostly items such as motor vehicles and computer equipment. The co-operative has so few assets that when it has sought to purchase items such as company cars on credit, banks have been reluctant to lend without the directors agreeing to become guarantors of the debt. As this was not something the directors were willing to do the co-operative simply chose to buy their cars for cash.

SOCIAL CAPITAL AND NETWORKING

Although much of the initial motivation that members have to join RapidClean is driven by financial issues, the co-operative also sees its importance in terms of the building of social capital through the facilitation of networking and sharing of ideas. As explained by Lees:

> *"That collegiate environment is something that is really strong. You notice it most on people who aren't part of the group. One of the things that they are desperate for is someone to talk to. That is someone who doesn't have an agenda. Because most of their sources of information are either a sales rep, or the manager of a supplier, and of course they're going to give them their own spin on any conversation. Now, when they are part of the co-operative they can talk to someone who has a very similar business to them and more than willing to share information on customers, products, pricing etc."*

RapidClean holds regular annual conferences designed to bring its members together where they can meet, network and share ideas as well as have a good time. These events are generally well attended and have high profile keynote speakers who provide informative and inspirational role models for the members to hear. However, it has taken some time to build up the members confidence and acceptance of the RapidClean brand and a willingness to use it and do so proudly. Bruce Lees acknowledges that there was loss of this engagement with the co-operative's brand in the period when members were divided and splitting off to set up their own operations. However, this has now turned around, perhaps not in the case of everyone, but an increasing proportion of members particularly the newer ones.

LOOKING TO THE FUTURE

RapidClean has developed a five-year strategic plan which seeks to double the size of the co-operative's total purchasing volume. It also seeks to build up its national accounts segment, partially because this is an area that they feel will assist growth, but also because they see the trend towards significant centralisation of cleaning contracts. However, to consistently win and retain this type of business will require the co-operative to get much greater consistency and discipline amongst its members in relation to product and price delivery to customers across all regions. This is often difficult due to freight costs but customers don't care. Yet this is a challenge for a co-operative as noted by Lees:

> *"So, where we compete with a multinational they can wash through a loss in a region, they can say we'll I don't care if I am losing money in Kalgoorlie, Geraldton and Albany, because I'm making a profit in Sydney, Perth and Brisbane. However, with our model we can't do that. We can't have a guy in Kalgoorlie losing money because a guy located in Sydney is making a fortune. So, that's a weakness in our model. Yet the strength we have is much higher service levels…so we push our branding as 'National Strength Local Service', and that is really our differentiator".*

The co-operative has enjoyed double digit growth for the past eight years and the outlook for the current and future years is positive. Over coming years RapidClean anticipates that its members will need to distribute a wider range of products. Already it has opened supply contracts over hospitality goods such as cups and plates, and potentially equipment such as ovens, refrigerators, or even tables and chairs. From RapidClean's perspective there is little that they feel then cannot do.

OBSERVATION

The ILG Group and RapidClean case studies provide good examples of the ability of the co-operative and mutual enterprise business model to provide small to medium enterprises (SMEs) with value through collective action that would otherwise be impossible for them to achieve alone. Research into the relationship between SMEs and co-operatives suggests that the underlying business model should be viewed as a strategic network, sometimes described as a "nexus of contracts" (Sexton, 1983; 1986), or a "coalition" (Staaz, 1983; 1987). This can apply to producer co-operatives as found in agribusiness or fishing, but also in consumer co-operatives where the members are small business owners.

Mazzarol, Mamouni Limnios and Reboud (2013) proposed a conceptual model for small firms' network engagement with co-operatives. This focuses on the interrelationships between antecedent factors, processes and outcomes. The antecedents that motivate SMEs to join co-operatives include such things as the need to secure external resources and capabilities that they cannot acquire alone. Also important is the level of external environmental uncertainty within their industry or markets. As shown in both the ILG Group and RapidClean cases, the members of these co-operatives were motivated to collaborate as a result of rising costs and increasing competition within their industries.

However, external pressures and lack of resources are insufficient by themselves. There must also be a willingness to cooperate, a common sense of purpose and member driven focus within the process of establishing the co-operative. Once formed, the co-operative's success will depend on its ability to deliver value to its members, and to run its operations in an efficient manner. There must also be a clear link between the member firm's success and the success of the co-operative. The directors and managers within the co-operative must also pay close attention to the retention of member loyalty through active patronage, and the fostering of social capital and trust between the members and the co-operative, and the members amongst themselves.

If these processes are successfully undertaken, the outcomes for the SME members will be enhanced access to resources, information and knowledge, stronger control within the supply chain (e.g. pricing and marketing), the strengthening of social capital, and the maintenance of a sense of common purpose and pride. The ILG Group and RapidClean cases demonstrate these processes and outcomes. They show how, via cooperation, small business operators can compete against the largest investor owned firms. As the ILG Group case illustrates, the co-operative business model can accommodate both buyers and suppliers who collaborate to create common value for the mutual community. While this may not be easily created, it reduces substantially the competitive tensions that typically create challenges for more conventional business models within supply chains.

However, the ability of the co-operative to play a valuable role for its small business members will be contingent on the willingness of the members to work together and maintain collective discipline. As both the ILG Group and RapidClean cases demonstrate, this relates to their willingness to adhere to group strategies in terms of following marketing and purchasing, information and data sharing, and even the display of co-operative branding. The idiosyncratic nature of many small business operators makes this level of discipline more challenging than is usually the case within franchise systems, or corporate groups. Such are the challenges that face directors and managers of co-operatives. As Bruce Lees, CEO RapidClean explained, the solution is potentially quite straightforward:

"I've spoken to some international co-operatives' CEOs who manage much bigger groups in the United States and Britain, and they say to me, just focus on making every member better off being a member and you'll be able to achieve things. But if you try to make it any more sophisticated than all you will do is upset people."

CONCLUSION

The 2018 review of the Australian CME sector has identified 1,998 active enterprises. This is down slightly on the previous year's 2,134 and the variation in numbers is best explained in relation to the process of gradually refining and strengthening the ACMEI database. As noted at the start of this paper, the CME sector is highly fragmented by industry sector, geographic location, strategic purpose and nature of the firm's legal registration.

Investigations across the respective state and territory co-operatives' registries, plus other relevant databases (e.g. ACNC, ORIC, ASIC, ABN registry and APRA) identified total of 469 firms that were not considered reliable for inclusion in the final list of actively trading CMEs. As shown in Table 4, the two most common causes for these firms to be removed from the active registration list were evidence of wind-up (34.1%) or deregistration (34.3%).

TABLE 4: REASON FOR INACTIVITY OF CMES

Reason for inactivity	Frequency	%	Comment
Liquidated	27	5.8%	Evidence that firm was formally placed into liquidation.
Demutualised	18	3.8%	Evidence that firm was demutualised into IOF business but remains active.
Merged	19	4.1%	Evidence that firm was merged with another CME.
Acquired or sold	5	1.1%	Evidence that firm was sold to private owner as going concern.
Wind Up (ABN cancelled & deregistered)	160	34.1%	Firm has been deregistered and had ABN cancelled.
ABN cancelled or missing	42	9.0%	ABN either missing or cancelled in ASIC registry.
Deregistered	161	34.3%	Deregistered within the state or territory registry.
Duplicate registration	37	7.9%	Multiple listing of same firm across jurisdictions or within same registry under different names.
Total	469	100.0%	

The investigations undertaken for this year's ACMEI study found that 321 firms (68.4%) within the database were either recorded as having been deregistered by their state or territory registrar, or both deregistered and having had their ABN numbers cancelled. In the case of the latter, it was concluded that these firms were now closed down or had been through a "wind-up" process. For the other firms that were just deregistered, it was not possible to identify whether they had simply left the state and territory registries as registered under those respective co-operative's legislations. It is possible that some might have continued to trade, but cross-checking against the ASIC registry did not find evidence of these firms operating under the federal corporation's law. Most did not have evidence of an active ABN or website presence.

Over time it is anticipated that we will be in a better position to track the 'churn' rate of CMEs, which is the number of firms that have ceased to trade as compared to the number of firms that have been established. As discussed earlier (see Figure 1), the average number of new co-operatives registered across Australia each year over the past 18 years has been about 28 firms. Given the number of firms that have ceased to trade within the available data, the active 'churn' is likely to be broadly in proportion to that found across the wider business sector in Australia. For example, according to Australian Bureau of Statistics (ABS, 2016) analysis, the average percentage of change in the total number of businesses over the period from 2011 to 2015 was minus 0.1%. This indicates a relatively stable number of businesses with roughly equal number of replacement firms for those ceasing to operate. It will require further data collection and analysis to determine if the survival rate of CMEs is greater than the average for non-CME enterprises.

REFERENCES

ABS (2012) "Measuring the activity of Co-operatives", International Year of Co-operatives: Year Book Australia, *2012*, Cat No. 1301.0, Australian Bureau of Statistics, Canberra [available online] www.abs.gov.au

ABS (2016) Counts of Australian Businesses, including Entries and Exits, June 2011 to June 2015, Cat No. 81650.0, Australian Bureau of Statistics, Canberra [available online] www.abs.gov.au

Allday, A. (2018). *IBISWorld Industry Report N7311: Commercial Cleaning Services in Australia*. www.ibisworld.com.au IBISWorld.

Barraket, J. and Morrison, M. (2010) *List of Australian Co-operatives and Mutuals by State and Territory,* Australian Centre for Philanthropy and Non-profit Studies, Queensland University of Technology.

Connolly, B. (2017) "RACQ overhauls digital strategy following QT merger", *CIO From IDG*, 9 August 2017, www.cio.com.au

DAWR (2018) *Farm Co-operatives and Collaboration Pilot Program*, www.agriculture.gov.au Department of Agriculture and Water Resources [accessed 28 October 2018].

Denniss, R., and Baker, D. (2012) *Who knew Australians were so co-operative?* [Available online] https://www.tai.org.au, The Australia Institute.

Do, K. (2018). *IBISWorld Industry Report F3312: Cereal Grain Wholesaling in Australia*. www.ibisworld.com.au IBISWorld.

IBISWorld (2018). *IBISWorld Specialist Industry Report OD4126: Cleaning and Maintenance Supplies Distributors in Australia*. www.ibisworld.com.au IBISWorld.

ILG (2018) "Who are we?", *Independent Liquor Group*, www.ilg.com.au

Insurance Business (2016) "RACQ and QT Mutual Bank merger takes aim at the big banks", 20 April 2016, www.insurancebusinessmag.com Insurance Business Australia.

Mamouni Limnios, E. A., Watson, J., Mazzarol, T. and Soutar, G.N. (2016). "Financial instruments and equity structures for raising capital in co-operatives." *Journal of Accounting & Organizational Change,* **12**(1): 50-74.

Mazzarol, T. (2018) *Australia's Leading Co-operative and Mutual Enterprises in 2018" CEMI Discussion Paper Series, DP 1801*, www.cemi.com.au Centre for Entrepreneurial Management and Innovation.

Mazzarol, T., and Kresling, J. (2017). *Australia's Leading Co-operative and Mutual Enterprises in 2017: CEMI Discussion Paper Series, DP 1701*. www.cemi.com.au Centre for Entrepreneurial Management and Innovation.

Mazzarol, T., Mamouni Limnios, E., and Reboud, S. (2013). "Co-operatives as a Strategic Network of Small Firms: Case studies from Australian and French Cooperatives." *Journal of Co-operative Organization and Management,* **1**(1): 27-40.

Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2014). *Australia's Leading Co-operative and Mutual Enterprises in 2014. CEMI Discussion Paper Series, DP 1403*. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation.

Mazzarol, T., Mamouni Limnios, E., Soutar, G.N., and Kresling, J. (2015). *Australia's Leading Co-operative and Mutual Enterprises in 2015: CEMI Discussion Paper Series, DP 1502*. www.cemi.com.au, Centre for Entrepreneurial Management and Innovation.

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

Pepe, A. (2018) "Murray Goulburn AGM: Litigation, wind-up conclusion uncertain", *The Weekly Times*, 23 October, 2018 www.weeklytimesnow.com.au

Peterson, J. (2018) "Client results: RACQ Merger with QT Mutual Bank", www.mccullough.com.au *McCullough Robertson Lawyers*.

Sexton, R. (1983). "Economic Considerations in forming Consumer Cooperatives and Establishing Pricing and Financing Policies." *Journal of Consumer Affairs* **17**(2): 290-315.

Sexton, R. (1986). "The Formation of Cooperatives: A Game-Theoretic Approach with Implications for Cooperative Finance, Decision Making, and Stability." *American Journal of Agricultural Economics* **68**(2): 214-225.

Staatz, J. M. (1983). "The Cooperative as a Coalition: A Game-Theoretic Approach." *American Journal of Agricultural Economics* **65**(5): 1084-1089.

Staatz, J. M. (1987). The structural characteristics of farmer cooperatives and their behavioural consequences. *Cooperative Theory: New Approaches, Service Report 18*. J. S. Royer. Washington, DC, USDA Agricultural Cooperative Service**:** 33-60.

Thomson, J. (2018a). *IBISWorld Industry Report C1131: Milk and Cream Processing in Australia.* www.ibisworld.com.au IBISWorld.

Thomson, J. (2018b). *IBISWorld Industry Report G4123: Liquor Retailing in Australia.* www.ibisworld.com.au IBISWorld.

Thomson, J. (2018c). *IBISWorld Industry Report F30606a: Liquor Wholesaling in Australia.* www.ibisworld.com.au IBISWorld.

Tonkin, B. (2016a). *IBISWorld Industry Report C1133b Milk Powder Manufacturing in Australia*. www.ibisworld.com.au IBISWorld.

Tonkin, B. (2016b). *IBISWorld Industry Report C1133c Butter and Dairy Product Manufacturing in Australia*. www.ibisworld.com.au IBISWorld.

Tonkin, B. (2016c). *IBISWorld Industry Report C1131: Milk and Cream Processing in Australia.* www.ibisworld.com.au IBISWorld.

Webb, T. (1996). "Marketing the Co-operative Advantage." *Journal of Co-operative Studies* **87**(2): 10-15.

Wu, T. (2018a). *IBISWorld Industry Report K63330: Superannuation Funds in Australia*. www.ibisworld.com.au IBISWorld.

Wu, T. (2018b). *IBISWorld Industry Report K6200: Finance in Australia*. www.ibisworld.com.au IBISWorld.

Wu, T. (2018c). *IBISWorld Industry Report K6223: Credit Unions in Australia*. www.ibisworld.com.au IBISWorld.

Wu, T. (2018d). *IBISWorld Industry Report K6222: Building Societies in Australia*. www.ibisworld.com.au IBISWorld.

Wu, T. (2018e). *IBISWorld Industry Report K6321: Health Insurance in Australia*. www.ibisworld.com.au IBISWorld.

APPENDIX A: TOP 100 CME BY ANNUAL TURNOVER FOR FY2016-17

Rank	Name	State	Turnover (AUD $)	EBIT (AUD $)	NPAT (AUD $)	Total Assets (AUD $)
1	Co-operative Bulk Handling Ltd	WA	$3,476,854,000	$98,177,000	$91,302,000	$2,172,500,000
2	Hospital Contribution Fund (HCF)	NSW	$2,528,715,000	$188,624,000	$184,992,000	$2,185,584,000
3	Murray Goulburn Co-operative Co Ltd	VIC	$2,491,053,000	($420,588,000)	($370,800,000)	$1,675,609,000
4	Australian Unity	VIC	$1,745,872,000	$45,266,000	$46,848,000	$5,185,737,000
5	Capricorn Society Ltd	WA	$1,684,581,000	$24,444,000	$17,766,000	$339,697,000
6	HBF Health	WA	$1,620,406,000	$59,543,000	$59,543,000	$1,786,195,000
7	RACQ	QLD	$1,169,516,000	$39,769,000	$26,743,000	$4,247,624,000
8	Members Equity Bank Ltd (ME Bank)	VIC	$1,161,628,000	$88,249,000	$61,856,000	$25,936,201,000
9	RAC WA	WA	$683,127,000	$53,481,000	$43,348,000	$1,668,344,000
10	RACV	VIC	$619,800,000	$48,000,000	$41,200,000	$2,290,900,000
11	GMHBA Limited	VIC	$599,887,000	$17,310,000	$17,584,000	$395,890,000
12	Teachers Health Fund	NSW	$597,958,883	$36,433,798	$36,433,798	$463,533,718
13	NRMA	NSW	$565,949,000	$110,993,000	$92,990,000	$1,476,976,000
14	Norco Co-operative Ltd	NSW	$555,625,000	$1,013,000	$433,000	$186,653,000
15	Credit Union Australia (CUA)	QLD	$546,872,000	$77,940,000	$55,874,000	$13,750,952,000
16	RAA SA	SA	$468,934,000	($3,692,000)	($2,319,000)	$533,833,000
17	People's Choice Credit Union (Australian Central CU)	SA	$403,395,000	$46,018,000	$33,080,000	$7,895,914,000
18	Independent Liquor Group Suppliers Cooperative Ltd	NSW	$401,867,657	$11,894,915	$110,116	$55,963,088
19	Tyrepower Group	VIC	$394,000,000	n/a	n/a	n/a
20	Newcastle Permanent	NSW	$393,168,000	$55,346,000	$38,675,000	$10,884,375,000
21	Heritage Bank Ltd	QLD	$393,089,000	$56,310,000	$39,623,000	$9,378,703,000
22	CBHS Health Fund Limited	NSW	$392,015,000	$17,568,000	$17,916,000	$284,453,000
23	Geraldton Fishermen's Co-operative Ltd	WA	$372,217,055	$458,864	$1,197,450	$140,874,029
24	Independent Liquor Group Distribution Co-operative	NSW	$371,646,955	$11,802,424	$46,058	$58,493,321
25	Avant Mutual Group	NSW	$331,853,000	$114,285,000	$80,039,000	$2,145,585,000
26	Teachers Mutual Bank Ltd	NSW	$281,788,000	$39,577,000	$27,622,000	$6,682,543,000
27	WA Meat Marketing Co-operative Ltd	WA	$280,521,000	$435,000	$2,156,000	$87,498,000
28	Greater Bank (formerly Greater Building Society Ltd)	NSW	$265,857,000	$40,845,000	$28,641,000	$6,286,212,000
29	EML (formerly Employers Mutual Ltd)	NSW	$262,798,000	$16,281,000	$11,334,000	$346,087,000
30	CUSCAL	NSW	$261,300,000	$21,500,000	$15,200,000	$2,228,400,000
31	Beyond Bank	SA	$237,735,000	$33,977,000	$24,725,000	$5,415,141,000
32	IMB Limited	NSW	$235,896,000	$39,252,000	$27,452,000	$5,713,681,000
33	Northern Co-operative Meat Co. Ltd	NSW	$213,525,000	$1,059,000	$806,000	$159,450,000
34	AlmondCo Ltd	SA	$192,412,000	$5,020,000	$5,037,000	$193,205,000
35	Bank Australia (formerly bank mecu)	VIC	$192,082,000	$32,306,000	$23,491,000	$5,157,005,000
36	Westfund Health Ltd	NSW	$185,780,019	$9,908,985	$9,908,985	$191,051,345
37	University Co-operative Bookshop Ltd	NSW	$184,805,066	$598,712	$598,712	$67,492,832

Rank	Name	State	Turnover (AUD $)	EBIT (AUD $)	NPAT (AUD $)	Total Assets (AUD $)
38	Queensland Country Credit	QLD	$176,261,000	$5,218,000	$1,895,000	$1,740,359,000
39	Latrobe Health Services Ltd	VIC	$175,293,572	$5,952,902	$5,952,902	$216,780,584
40	P&N Bank	WA	$174,465,000	$13,667,000	$11,019,000	$3,985,492,000
41	Health Insurance Fund of Australia	WA	$173,887,427	($2,482,929)	($2,482,654)	$121,543,704
42	Queensland Teachers Union Health Fund	QLD	$170,930,057	$8,346,857	$8,346,857	$128,551,610
43	Health Partners Ltd	SA	$149,716,000	$8,100,000	$8,100,000	$150,541,000
44	Peoplecare Health Insurance	NSW	$144,558,674	$7,042,200	$7,042,200	$108,763,603
45	Qudos Bank (formerly QANTAS Credit Union)	NSW	$143,042,000	$15,682,000	$11,014,000	$3,522,266,000
46	Plumbers' Suppliers Co-operative Ltd	NSW	$142,583,718	$858,694	($262,726)	$65,245,838
47	Australian Scholarship Group Friendly Society	VIC	$140,960,000	$16,829,000	$328,000	$1,483,629,000
48	Medical Indemnity Protection Society Ltd (MIPS)	VIC	$131,841,000	$7,762,000	$10,398,000	$572,888,000
49	Railway and Transport Health Fund	NSW	$130,419,000	$579,000	$300,000	$91,240,000
50	Dairy Farmers Milk Co-operative Ltd	NSW	$130,292,000	$260,000	$195,000	$18,734,000
51	Police Credit (BankVic)	VIC	$110,961,000	$15,898,000	$11,059,000	$1,632,873,000
52	St Luke's Medical & Hospital Benefits Association Ltd	TAS	$103,076,000	$2,587,000	$2,589,000	$111,127,000
53	Victoria Teachers Mutual Bank	VIC	$100,144,000	$14,334,000	$10,030,000	$2,319,227,000
54	Murrumbidgee Irrigation Limited	NSW	$90,779,000	$31,694,000	$31,593,000	$667,200,000
55	NSW Sugar Milling Co-operative	NSW	$85,540,000	n/a	n/a	n/a
56	Defence Bank	VIC	$83,957,000	$13,176,000	$9,410,000	$2,031,528,000
57	Bananacoast Community Credit Union	NSW	$82,638,000	$13,614,000	$9,114,000	$1,650,462,000
58	OZ Group Co-op	NSW	$81,858,227	$750,000	$525,000	$15,379,383
59	Hastings Co-operative	NSW	$81,416,752	$1,193,725	$1,215,568	$21,731,987
60	Police Bank	NSW	$80,608,634	$12,122,250	$8,292,249	$1,681,289,783
61	MDA National	WA	$78,128,000	$5,208,000	$3,761,000	$402,715,000
62	Murray Irrigation Limited	NSW	$77,542,000	$25,455,000	$24,014,000	$524,245,000
63	Navy Health Ltd	VIC	$76,121,000	$3,615,000	$3,615,000	$103,112,000
64	International Macadamias Ltd (Macadamia Processing Co. Ltd)	NSW	$75,260,679	$2,576,321	$2,431,871	$32,971,107
65	Yenda Producers Co-operative Ltd	NSW	$74,592,258	$1,518,467	$1,123,129	$44,240,288
66	StateCover Mutual Ltd	NSW	$69,147,000	$7,669,000	$7,669,000	$460,545,000
67	Rapid Group Co-operative Ltd (Rapid Clean)	NSW	$68,700,000	n/a	n/a	n/a
68	CCW Co-op	SA	$68,360,922	$307,940	$223,683	$4,286,415
69	Community Co-op Store (Nuriootpa) Ltd	SA	$67,445,818	$1,137,481	$836,633	$62,245,332
70	Royal Automobile Club of Tasmania	TAS	$65,303,000	$4,826,000	$5,495,000	$106,458,000
71	Regional Australia Bank	NSW	$64,068,000	$11,755,000	$8,143,000	$1,311,010,000
72	Master Butchers Co-operative Ltd	SA	$63,475,661	$2,717,925	$2,660,745	$46,465,705
73	Institute for Urban Indigenous Health ltd	QLD	$62,740,155	$6,736,652	$1,985,828	$28,851,251
74	Australian Military Bank (Australian Defence Credit Union)	NSW	$58,458,000	$7,598,000	$5,038,000	$1,253,987,000
75	Mildura District Hospital Fund Ltd	VIC	$57,996,552	$2,664,787	$2,664,787	$92,356,776

Rank	Name	State	Turnover (AUD $)	EBIT (AUD $)	NPAT (AUD $)	Total Assets (AUD $)
76	UniMutual	NSW	$57,475,938	$288,174	($11,524)	$74,599,945
77	Capricorn Mutual Limited	WA	$51,245,000	$1,057,000	$1,033,000	$69,254,000
78	Police Credit Union Limited	SA	$47,014,000	$7,097,000	$5,064,000	$943,636,000
79	Unity Bank (formerly Maritime, Mining & Power Credit Union)	NSW	$45,045,000	$3,162,000	$2,190,000	$1,057,749,000
80	Central Australian Aboriginal Congress Aboriginal Corporation	NT	$44,948,338	$1,008,838	$1,008,838	$28,242,972
81	Community First Credit Union	NSW	$44,824,000	$3,252,000	$2,511,000	$950,435,000
82	Hume Bank	NSW	$44,670,000	$5,729,000	$3,938,000	$1,051,850,000
83	Credit Union SA Ltd	SA	$44,282,000	$5,628,000	$4,222,000	$1,009,480,000
84	G&C Mutual Bank / Quay Mutual Bank (Quay Credit Union Ltd)	NSW	$43,895,000	$5,117,000	$3,600,000	$1,088,114,000
85	Gateway Credit Union	NSW	$40,481,000	$3,224,000	$2,315,000	$1,038,882,000
86	Lenswood Cold Stores Co-operative Ltd	SA	$38,765,407	($1,374,939)	($3,418,068)	$20,753,193
87	Wesbuilders Co-operative Ltd	WA	$37,830,717	n/a	n/a	n/a
88	QBank Limited (formerly Queensland Police Credit Union Ltd)	QLD	$36,979,000	$3,439,000	$2,452,000	$819,596,000
89	Aboriginal and Torres Strait Islander Community Health Service Brisbane Limited	QLD	$36,880,135	$9,127,991	$9,127,991	$56,047,753
90	Sydney Credit Union	NSW	$35,808,000	$2,912,000	$2,158,000	$867,043,000
91	Phoenix Health Fund	NSW	$35,116,752	$1,494,722	$1,494,722	$27,225,840
92	B&E Personal Banking	TAS	$33,472,577	$4,855,500	$3,451,193	$763,603,439
93	Victorian Aboriginal Child Care Agency Co-operative Ltd	VIC	$30,110,371	$825,094	$825,094	$18,249,704
94	Summerland Credit Union Limited	NSW	$29,562,000	$3,048,000	$2,154,000	$666,069,000
95	Mount Barker Co-operative Ltd	WA	$29,241,245	$427,096	$253,740	$13,829,821
96	Mallee District Aboriginal Services Limited	VIC	$28,860,336	($192,965)	($192,965)	$27,893,775
97	Maitland Mutual Building Society Ltd	NSW	$28,445,000	$3,399,000	$2,382,000	$641,600,000
98	Holiday Coast Credit Union	NSW	$27,645,000	$2,206,000	$1,555,000	$589,083,000
99	MOVE Bank (Formerly Railways Credit Union)	QLD	$26,602,441	$1,721,006	$1,187,984	$616,222,656
100	Apunipima Cape York Health Council	QLD	$26,413,167	$147,744	$147,744	$12,240,267

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: MEMBER OWNED SUPERANNUATION FUNDS 2017

Rank	Name	State	Turnover (AUD $)	ABBT (AUD $)	ABAT (AUD $)	Total Assets (AUD $)
1	Australian Super	VIC	$13,298,000,000	$890,000,000	$99,000,000	$122,288,000,000
2	Construction & Building Superannuation (CBUS)	VIC	$8,508,508,000	$6,211,368,000	$5,640,893,000	$40,153,608,000
3	First State Super Fund	NSW	$7,063,000,000	$6,719,000,000	$6,240,000,000	$65,919,000,000
5	Retail Employee's Superannuation Trust (REST)	NSW	$5,064,900,000	$394,800,000	$12,200,000	$47,832,400,000
4	UniSuper	VIC	$4,936,000,000	$4,648,000,000	$4,453,000,000	$62,904,000,000
6	Sunsuper	QLD	$4,799,000,000	$4,527,000,000	$4,281,000,000	$46,652,000,000
7	Health Employee's Superannuation Trust Australia (HESTA)	VIC	$4,256,743,000	$308,590,000	$37,675,000	$41,516,447,000
8	HOSTPLUS	VIC	$2,619,968,000	$2,512,380,663	$2,559,937,112	$24,996,112,000
9	VicSuper	VIC	$1,829,887,000	$1,732,370,000	$1,627,789,000	$19,278,821,000
10	CareSuper	NSW	$1,687,363,000	$1,570,865,000	$1,473,122,000	$14,254,744,000
11	Mine Wealth + Wellbeing	NSW	$1,651,750,000	$740,086,000	$625,061,000	$10,769,273,000
12	TWU Super	NSW	$1,106,387,000	$635,099,000	$549,331,000	$5,009,626,000
13	MTAA Superannuation Fund	NSW	$1,105,300,000	$1,036,400,000	$953,100,000	$10,665,200,000
14	Local Government Super	NSW	$991,140,000	$175,026,000	$120,321,000	$10,507,859,000
15	Catholic Superannuation Fund	VIC	$894,837,797	$63,585,446	$9,363,719	$8,703,745,352
16	Equipsuper	VIC	$839,000,000	$102,000,000	$54,000,000	$8,398,000,000
17	Vision Super Pty Ltd	VIC	$826,450,000	$805,701,000	$805,793,000	$8,686,018,000
18	Energy Super	QLD	$752,397,000	$113,496,000	$73,732,000	$6,891,476,000
19	Statewide Super	SA	$742,000,000	$52,000,000	$14,000,000	$7,535,000,000
20	Legalsuper	VIC	$735,240,902	$702,908,002	$657,496,962	$3,373,337,813
21	LUCRF Super	VIC	$577,343,000	$39,752,000	$12,813,000	$5,817,781,000
22	Australian Catholic Superannuation and Retirement Fund	NSW	$563,883,215	$525,461,582	$2,216,056	$7,930,589,899
23	Media Super	VIC	$533,375,000	$5,315,000	($20,966,000)	$5,113,588,000
24	Maritime Super	NSW	$487,071,000	$105,464,000	$77,741,000	$5,273,000,000
25	Tasplan Ltd	TAS	$447,554,418	$70,189,370	$53,742,335	$7,966,346,515
26	Prime Super	NSW	$390,858,000	$357,429,000	$382,404,000	$3,546,785,000
27	Building Unions Superannuation Scheme (Qld)	QLD	$348,951,833	($9,852,551)	($758,410)	$4,339,444,602
28	NGS Super Pty Ltd	VIC	$310,335,000	$792,134,000	$743,624,000	$8,226,006,000
29	Intrust Super Fund	QLD	$292,861,672	$15,507,319	$398,231	$2,720,875,567
30	First Super	VIC	$292,861,672	$15,507,319	$398,231	$2,720,875,567
31	Austsafe Super	QLD	$280,487,321	$24,375,430	$6,880,911	$2,334,410,983
32	AMIST Super	NSW	$201,986,316	$17,621,451	$680,466	$2,194,197,865
33	Combined Super	VIC	$181,308,906	$105,595,408	$92,005,894	$924,897,123
34	Electricity Industry Superannuation Fund	SA	$165,600,000	$76,700,000	$65,700,000	
35	QIEC Super Pty Ltd	SA	$153,430,000	$8,429,000	$2,603,000	$1,448,764,000
36	Meat Industry Employees' Superannuation Fund	VIC	$140,101,965	$63,453,431	$53,727,267	$798,165,390

Rank	Name	State	Turnover (AUD $)	ABBT (AUD $)	ABAT (AUD $)	Total Assets (AUD $)
37	NESS Super Pty Ltd	NSW	$133,501,678	$84,909,277	$73,531,787	$696,157,254
38	Victorian Independent Schools Superannuation Fund (VISSF)	VIC	$126,317,000	$710,246,000	$706,110,000	$708,698,000
39	REI Super	VIC	$125,798,000	($7,334,000)	($16,342,000)	$1,509,118,000
40	Christian Super	NSW	$105,824,317	$1,132,683	($5,524,042)	$1,303,499,175

Notes to Table:

1. ABBT= allocation of benefits before tax. ABAT = allocation of benefits after tax. n/a=not available. All values are reported in Australian $.

APPENDIX C: TOP 100 AUSTRALIAN CME BY ASSETS FY2016-17

Rank	Name	State	Assets (AUD $)	Liabilities (AUD $)	Equity (AUD $)
1	Members Equity Bank Ltd (ME Bank)	VIC	$25,936,201,000	$24,823,546,000	$1,112,655,000
2	Credit Union Australia (CUA)	QLD	$13,750,952,000	$12,770,599,000	$980,353,000
3	Newcastle Permanent	NSW	$10,884,375,000	$9,975,304,000	$909,071,000
4	Heritage Bank Ltd	QLD	$9,378,703,000	$8,891,242,000	$487,461,000
5	People's Choice Credit Union (Australian Central CU)	SA	$7,895,914,000	$7,325,160,000	$570,754,000
6	Teachers Mutual Bank Ltd	NSW	$6,682,543,000	$6,189,581,000	$492,962,000
7	Greater Bank (formerly Greater Building Society Ltd)	NSW	$6,286,212,000	$5,804,979,000	$481,233,000
8	IMB Limited	NSW	$5,713,681,000	$5,383,433,000	$330,248,000
9	Beyond Bank	SA	$5,415,141,000	$4,983,957,000	$431,184,000
10	Australian Unity	VIC	$5,185,737,000	$4,564,762,000	$620,975,000
11	Bank Australia (formerly bank mecu)	VIC	$5,157,005,000	$4,672,111,000	$484,894,000
12	RACQ	QLD	$4,247,624,000	$2,907,003,000	$1,340,621,000
13	P&N Bank	WA	$3,985,492,000	$3,711,999,000	$273,493,000
14	Qudos Bank (formerly QANTAS Credit Union)	NSW	$3,522,266,000	$3,267,480,000	$254,786,000
15	Victoria Teachers Mutual Bank	VIC	$2,319,227,000	$2,128,211,000	$191,016,000
16	RACV	VIC	$2,290,900,000	$654,900,000	$1,636,000,000
17	CUSCAL	NSW	$2,228,400,000	$1,975,000,000	$253,400,000
18	Hospital Contribution Fund (HCF)	NSW	$2,185,584,000	$643,356,000	$1,542,228,000
19	Co-operative Bulk Handling Ltd	WA	$2,172,500,000	$437,388,000	$1,735,141,000
20	Avant Mutual Group	NSW	$2,145,585,000	$1,040,012,000	$1,105,573,000
21	Defence Bank	VIC	$2,031,528,000	$1,871,904,000	$159,624,000
22	HBF Health	WA	$1,786,195,000	$495,224,000	$1,290,971,000
23	Queensland Country Credit	QLD	$1,740,359,000	$1,540,786,000	$199,573,000
24	Police Bank	NSW	$1,681,289,783	$1,497,591,213	$183,698,570
25	Murray Goulburn Co-operative Co Ltd	VIC	$1,675,609,000	$940,218,000	$735,391,000
26	RAC WA	WA	$1,668,344,000	$822,762,000	$845,582,000
27	Bananacoast Community Credit Union	NSW	$1,650,462,000	$1,522,025,000	$128,437,000
28	Police Credit (BankVic)	VIC	$1,632,873,000	$1,467,878,000	$164,995,000
29	Australian Scholarship Group Friendly Society	VIC	$1,483,629,000	$1,385,125,000	$98,504,000
30	NRMA	NSW	$1,476,976,000	$493,134,000	$983,842,000
31	Regional Australia Bank	NSW	$1,311,010,000	$1,203,828,000	$107,182,000
32	Australian Military Bank (Australian Defence Credit Union)	NSW	$1,253,987,000	$1,165,648,000	$88,339,000
33	G&C Mutual Bank / Quay Mutual Bank (Quay Credit Union Ltd)	NSW	$1,088,114,000	$988,140,000	$99,974,000
34	Unity Bank (formerly Maritime, Mining & Power Credit Union)	NSW	$1,057,749,000	$960,829,000	$96,920,000
35	Hume Bank	NSW	$1,051,850,000	$980,109,000	$71,741,000
36	Gateway Credit Union	NSW	$1,038,882,000	$937,878,000	$101,004,000
37	Credit Union SA Ltd	SA	$1,009,480,000	$913,256,000	$96,224,000

Rank	Name	State	Assets (AUD $)	Liabilities (AUD $)	Equity (AUD $)
38	Community First Credit Union	NSW	$950,435,000	$869,266,000	$81,169,000
39	Police Credit Union Limited	SA	$943,636,000	$870,480,000	$73,156,000
40	Sydney Credit Union	NSW	$867,043,000	$790,260,000	$76,783,000
41	CEHL (Common Equity Housing Ltd)	VIC	$834,512,562	$75,314,425	$759,198,137
42	QBank Limited (formerly Queensland Police Credit Union Ltd)	QLD	$819,596,000	$745,553,000	$74,043,000
43	B&E Personal Banking	TAS	$763,603,439	$695,380,336	$68,223,103
44	Murrumbidgee Irrigation Limited	NSW	$667,200,000	$165,272,000	$501,928,000
45	Summerland Credit Union Limited	NSW	$666,069,000	$610,107,000	$55,962,000
46	Community Alliance Credit Union	NSW	$664,178,000	$621,440,000	$42,738,000
47	Maitland Mutual Building Society Ltd	NSW	$641,600,000	$599,566,000	$42,034,000
48	Endeavour Mutual Bank (Formerly Select Credit Union and Encompass Credit Union)	NSW	$627,480,000	$546,962,000	$80,518,000
49	MOVE Bank (Formerly Railways Credit Union)	QLD	$616,222,656	$553,891,407	$62,331,249
50	Holiday Coast Credit Union	NSW	$589,083,000	$547,135,000	$41,948,000
51	Medical Indemnity Protection Society Ltd (MIPS)	VIC	$572,888,000	$267,042,000	$305,846,000
52	RAA SA	SA	$533,833,000	$310,255,000	$223,578,000
53	Murray Irrigation Limited	NSW	$524,245,000	$88,199,000	$436,046,000
54	Southern Cross Credit Union Ltd	NSW	$482,090,000	$432,401,000	$49,689,000
55	Teachers Health Fund	NSW	$463,533,718	$143,021,240	$320,512,478
56	Coastline Credit Union Ltd	NSW	$461,319,000	$426,258,000	$35,061,000
57	StateCover Mutual Ltd	NSW	$460,545,000	$314,566,000	$145,979,000
58	WAW Credit Union Co-operative	VIC	$449,426,088	$420,970,461	$28,455,627
59	MDA National	WA	$402,715,000	$224,617,000	$178,098,000
60	GMHBA Limited	VIC	$395,890,000	$161,902,000	$233,988,000
61	Australian Settlements Ltd	NSW	$377,141,731	$366,787,932	$10,353,799
62	Goulburn Murray Credit Union Co-Operative Ltd	VIC	$355,153,514	$308,815,406	$41,338,408
63	Queenslanders Credit Union Limited	QLD	$353,280,666	$309,415,875	$43,864,791
64	EML (formerly Employers Mutual Ltd)	NSW	$346,087,000	$223,693,000	$122,394,000
65	Capricorn Society Ltd	WA	$339,697,000	$172,515,000	$167,182,000
66	Horizon Credit Union Ltd	NSW	$337,427,474	$315,012,091	$22,415,383
67	EECU Limited (trading as Nexus Mutual)	VIC	$304,630,000	$287,370,000	$17,260,000
68	Hunter United Employees Credit Union Ltd	NSW	$302,949,681	$278,878,760	$24,070,921
69	The Capricornian Ltd	QLD	$301,334,777	$278,734,985	$22,599,792
70	CBHS Health Fund Limited	NSW	$284,453,000	$91,906,000	$192,547,000
71	Northern Inland Credit Union Ltd	NSW	$265,918,875	$230,817,253	$35,101,622
72	Warwick Credit Union Ltd	QLD	$255,475,938	$238,245,844	$17,230,094
73	Macarthur Credit Union Ltd	NSW	$249,278,761	$224,829,439	$24,449,322
74	Key Invest Ltd	SA	$247,196,885	$213,100,654	$34,096,231
75	Latrobe Health Services Ltd	VIC	$216,780,584	$51,348,193	$165,432,391
76	AlmondCo Ltd	SA	$193,205,000	$166,498,000	$26,707,000
77	Westfund Health Ltd	NSW	$191,051,345	$51,742,840	$139,308,505

Rank	Name	State	Assets (AUD $)	Liabilities (AUD $)	Equity (AUD $)
78	First Option Credit Union Ltd	NSW	$190,827,843	$177,267,447	$13,560,396
79	Orange Credit Union Ltd	NSW	$190,794,521	$165,476,263	$25,318,258
80	Norco Co-operative Ltd	NSW	$186,653,000	$112,233,000	$65,107,000
81	Coleambally Irrigation Co-operative Ltd	NSW	$185,268,000	$19,868,000	$165,400,000
82	Laboratories Credit Union Ltd	NSW	$174,019,968	$160,920,751	$13,099,217
83	Dnister Ukrainian Credit Co-operative Ltd	VIC	$170,959,000	$148,776,000	$22,183,000
84	Australian Friendly Society	VIC	$159,965,000	$149,645,000	$10,320,000
85	Northern Co-operative Meat Co. Ltd	NSW	$159,450,000	$69,249,000	$90,201,000
86	South West Slopes Credit Union Ltd	NSW	$157,170,000	$136,525,000	$20,645,000
87	Central West Credit Union Ltd	NSW	$153,716,000	$134,738,000	$18,978,000
88	Health Partners Ltd	SA	$150,541,000	$29,774,000	$120,767,000
89	Geraldton Fishermen's Co-operative Ltd	WA	$140,874,029	$114,969,927	$25,904,102
90	Ford Co-Operative Credit Society Ltd	VIC	$133,232,000	$123,763,000	$9,469,000
91	APS Benefits Group	VIC	$131,892,712	$127,022,140	$4,870,572
92	Queensland Teachers Union Health Fund	QLD	$128,551,610	$33,859,819	$94,691,791
93	Family First Credit Union Ltd	NSW	$126,287,479	$115,528,402	$10,759,077
94	South-West Credit Union Co-Operative Ltd	VIC	$122,641,303	$111,973,583	$10,667,720
95	Health Insurance Fund of Australia	WA	$121,543,704	$54,847,547	$66,696,158
96	Woolworths Employees Credit Union Ltd	NSW	$112,046,007	$103,351,129	$8,694,878
97	St Luke's Medical & Hospital Benefits Association Ltd	TAS	$111,127,000	$26,116,000	$84,961,000
98	Peoplecare Health Insurance	NSW	$108,763,603	$29,067,188	$79,696,415
99	Royal Automobile Club of Tasmania	TAS	$106,458,000	$37,302,000	$69,156,000
100	Navy Health Ltd	VIC	$103,112,000	$26,169,000	$76,943,000

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 lists 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 100 AUSTRALIAN CME BY MEMBERSHIP FY2015-16

Rank	Name	State	Members
1	NRMA	NSW	2,400,000
2	Australian Super	VIC	2,100,000
3	RACV	VIC	2,100,000
4	University Co-operative Bookshop Ltd	NSW	2,063,358
5	Retail Employee's Superannuation Trust (REST)	NSW	1,900,000
6	RACQ	QLD	1,600,000
7	HBF Health	WA	1,025,236
8	HOSTPLUS	VIC	985,419
9	RAC WA	WA	840,000
10	Health Employee's Superannuation Trust Australia (HESTA)	VIC	800,000
11	First State Super Fund	NSW	760,000
12	Construction & Building Superannuation (CBUS)	VIC	732,922
13	RAA SA	SA	664,861
14	Hospital Contribution Fund (HCF)	NSW	650,000
15	Sunsuper	QLD	600,000
16	Credit Union Australia (CUA)	QLD	442,000
17	UniSuper	VIC	420,000
18	People's Choice Credit Union (Australian Central CU)	SA	353,000
19	Newcastle Permanent	NSW	325,000
20	Heritage Bank Ltd	QLD	316,000
21	Australian Unity	VIC	300,000
22	Big Sky Credit Union Ltd	NSW	280,000
23	Kinetic Financial Services Pty Ltd	NSW	275,000
24	CareSuper	NSW	250,000
25	MTAA Superannuation Fund	NSW	248,000
26	Greater Bank (formerly Greater Building Society Ltd)	NSW	240,000
27	VicSuper	VIC	240,000
28	Westfund Health Ltd	NSW	240,000
29	Beyond Bank	SA	198,373
30	GMHBA Limited	VIC	180,770
31	IMB Limited	NSW	180,000
32	Royal Automobile Club of Tasmania	TAS	178,000
33	Teachers Mutual Bank Ltd	NSW	177,000
34	LUCRF Super	VIC	163,000
35	Australian Scholarship Group Friendly Society	VIC	155,000
36	Teachers Health Fund	NSW	140,214
37	Statewide Super	SA	140,000
38	Bank Australia (formerly bank mecu)	VIC	130,000
39	Health Insurance Fund of Australia	WA	128,000

Rank	Name	State	Members
40	Intrust Super Fund	QLD	120,000
41	Prime Super	NSW	120,000
42	TWU Super	NSW	120,000
43	Tasplan Ltd	TAS	109,496
44	Victoria Teachers Mutual Bank	VIC	108,801
45	Austsafe Super	QLD	108,000
46	Vision Super Pty Ltd	VIC	101,000
47	Police Credit (BankVic)	VIC	100,263
48	Hastings Co-operative	NSW	100,000
49	NGS Super Pty Ltd	VIC	100,000
50	Qudos Bank (formerly QANTAS Credit Union)	NSW	100,000
51	Australian Catholic Superannuation and Retirement Fund	NSW	93,000
52	CBHS Health Fund Limited	NSW	92,647
53	Defence Bank	VIC	90,000
54	Local Government Super	NSW	90,000
55	Media Super	VIC	90,000
56	Centuria Life Limited	VIC	85,186
57	Latrobe Health Services Ltd	VIC	85,104
58	Building Unions Superannuation Scheme (Qld)	QLD	85,000
59	Catholic Superannuation Fund	VIC	77,000
60	CSF Pty Limited (MyLifeMyMoney Superannuation Fund)	VIC	77,000
61	Avant Mutual Group	NSW	72,000
62	Police Bank	NSW	71,011
63	Mine Wealth + Wellbeing	NSW	70,076
64	Regional Australia Bank	NSW	70,000
65	Queensland Teachers Union Health Fund	QLD	70,000
66	AMIST Super	NSW	67,169
67	QTMB	QLD	66,480
68	First Super	VIC	64,000
69	Queensland Country Credit	QLD	60,000
70	Hume Bank	NSW	58,000
71	Community First Credit Union	NSW	55,488
72	Bananacoast Community Credit Union	NSW	54,991
73	Police Health	SA	51,000
74	Australian Military Bank (Australian Defence Credit Union)	NSW	50,000
75	Credit Union SA Ltd	SA	50,000
76	MDA National	WA	50,000
77	Energy Super	QLD	48,000
78	Equipsuper	VIC	48,000
79	Medical Indemnity Protection Society Ltd (MIPS)	VIC	47,924

Rank	Name	State	Members
80	Legalsuper	VIC	43,550
81	Health Partners Ltd	SA	40,000
82	Police Credit Union Limited	SA	40,000
83	G&C Mutual Bank / Quay Mutual Bank (Quay Credit Union Ltd)	NSW	36,000
84	Maritime, Mining & Power Credit Union	NSW	35,000
85	Peoplecare Health Insurance	NSW	33,236
86	Holiday Coast Credit Union	NSW	31,238
87	Concept One Super	WA	30,787
88	Mildura District Hospital Fund Ltd	VIC	30,005
89	B&E Personal Banking	TAS	30,000
90	Christian Super	NSW	30,000
91	Gateway Credit Union	NSW	30,000
92	Maritime Super	NSW	30,000
93	REI Super	VIC	30,000
94	SGE Credit Union	NSW	30,000
95	WAW Credit Union Co-operative	VIC	30,000
96	StateCover Mutual Ltd	NSW	30,000
97	Community Alliance Credit Union	NSW	29,000
98	APS Benefits Group	VIC	29,000
99	Queensland Police Credit Union Ltd	QLD	26,000
100	QIEC Super Pty Ltd	SA	25,978

Notes to Table:

1. Not all CMEs make their membership numbers publicly available. This list has been compiled using data sourced from their websites, annual reports and secondary sources such as IBISWorld. In some cases, these figures may represent an estimate of numbers by the source.

About the author:

Tim Mazzarol is a Winthrop Professor in Entrepreneurship, Innovation, Marketing and Strategy at the University of Western Australia and an affiliate Professor with the Burgundy School of Business, Groupe ESC Dijon, Bourgogne, France. He is also the Director of the Centre for Entrepreneurial Management and Innovation (CEMI), an independent initiative designed to enhance awareness of entrepreneurship, innovation and small business management. Tim is also a Qualified Practising Market Researcher (QPMR) as recognised by the Australian Market and Social Research Society (AMSRS), and President of the Small Enterprise Association of Australia and New Zealand (SEAANZ). He has around 20 years of experience of working with small entrepreneurial firms as well as large corporations and government agencies. He is the author of several books on entrepreneurship, small business management and innovation. He holds a PhD in Management and an MBA with distinction from Curtin University of Technology, and a Bachelor of Arts with Honours from Murdoch University, Western Australia.