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## Submission form: Consultation on draft Long-term Insights Briefing

The Ministry of Business, Innovation and Employment (MBIE) would like your feedback on our draft Long-term Insights Briefing (LTIB), *The future of business for Aotearoa New Zealand: An exploration of two trends influencing productivity and wellbeing – purpose-led business and use of blockchain technology*

Please provide your feedback by **5.00pm Friday 24 June 2022**.

When completing this submission form, please provide comments and supporting explanations for your reasoning where relevant. Your feedback provides valuable information and helps us strengthen the quality of the insights in the LTIB.

We appreciate your time in responding to this phase of consultation.

### Instructions

#### To make a submission you will need to:

1. Fill out your name, email address, phone number and organisation. If you are representing an organisation, please provide a brief description of your organisation and its aims, and ensure you have the authority to represent its views.
2. Fill out your responses to the discussion document questions. You can answer any or all of these questions in the boxes below.
3. Send your submission to:
  - LTIB@mbie.govt.nz with subject line 'Draft LTIB consultation 2021'

OR

- Strategic Policy  
Ministry of Business, Innovation and Employment  
PO Box 1473  
Wellington 6140  
New Zealand

#### Private information

The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE in the course of making a submission will only be used for the purpose of assisting in the development of advice in relation to this discussion document.

MBIE may publish copies of submissions received to MBIE's website at [www.mbie.govt.nz](http://www.mbie.govt.nz). MBIE will consider you to have consented to uploading by making a submission, unless you clearly specify otherwise in your submission.

If you have sensitive information, please send a separate version of this form excluding the relevant information for publication on our website if applicable.



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Submissions remain subject to any requests under the Official Information Act 1982. Please set out clearly in the cover letter or email accompanying your submission if you have any objection to the release of any information in the submission, and in particular, which parts you consider should be withheld, together with the reasons for withholding the information. MBIE will consult with submitters when responding to requests under the Official Information Act 1982.



## Submitter information

MBIE would appreciate if you would provide some information about yourself. If you choose to provide information in the “About you” section below it will be used to help MBIE understand the impact of our proposals on different groups. Any information you provide will be stored securely.

### A. About you

Name: Roz Henry  
CEO, Cooperative Business NZ

Email address: roz.henry@nz.coop

### B. Are you happy for MBIE to contact you if we have questions about your submission?

Yes  No

### C. Are you making this submission on behalf of a business or organisation?

Yes  No

If yes, please tell us the title of your company/organisation and some brief details about its purpose:

Cooperative Business NZ is the peak body representing New Zealand’s co-operatives and mutuals. At 18% of New Zealand’s GDP by revenue, these purpose lead businesses are critical to our economy and our future. Internationally, New Zealand is recognised as one of the most reliant upon co-operative and mutual businesses for our economy.

These organisations sit across a wide range of industries; primary sector, financial services, retail, construction, health, professional services, industrial services, technology, utilities, and have a vast application for how they can be constructed, i.e. supplier, consumer, employee or supply chain owned. They can be established as both commercial or social enterprises.

Currently New Zealand’s co-operatives are some of our largest companies and largest exporters. They are an intrinsic part of our social fabric, with most of our rural economy being reliant upon these members owned businesses to support their local communities.

Given the impacts of Covid, having private businesses with profits being reinvested into the New Zealand economy is a critical part of us moving out of a recession.

Our members include:

Primary Sector: Fonterra, Alliance, Silverfern Farms, Zespri, Farmlands, LIC, Ballance, Ravensdown, Tatua, Primary Wool Co-op, NZ Blackcurrants, NZ Boysenberries, Eastpack, Birchwood Packhouse, Seasonal Solutions Co-op, MG Marketing, NZ Hops, Provelco



Financial Service: Southern Cross, FMG, SBS Bank, The Cooperative Bank, MAS, Unity, First Credit Union,

Retail: Foodstuffs, Mitre10, ITM, Buildlink, Plumbing World, Hunting & Fishing, PaperPlus, Interflora,

Services: Capricorn, Blackfern,

Healthcare: Procare,

Utilities: MHV, EA Networks, ALIL, Barhill Chertsey,

Tourism: World Travellers

Technology: Loomio, Ion

Of recent times, we are starting to see a greater interest from the Māori and Pacifica looking to leverage the model for their people and communities, both as commercial and not for profit businesses.

- The Privacy Act 1993 applies to submissions. Please tick the box if you do **not** wish your name or other personal information to be included in any information about submissions that MBIE may publish.
- MBIE may upload submissions and potentially a summary of submissions to the website(s), [www.mbie.govt.nz](http://www.mbie.govt.nz). If you do **not** want your submission or a summary of your submission to be placed on either of these websites, please tick the box and type an explanation below:



## Consultation questions

Please refer to the full consultation document [LINK] for more information.

### **1. In what ways are you or your business responding to big challenges, like COVID-19, climate change and technological change?**

Our members are proactively taking a leadership role in responding to all 3 of these big challenges. Our major members in particular are involved in national initiatives looking at how they can catalyse change to enable achieving SDG targets and enabling investment into future technology to support greater productivity.

Examples include:

Fonterra – moving away from use of coal for manufacturing

Eastpack – investment into AI technology to reduce reliance upon seasonal workers

LIC – herd improvement, including reduction of methane emissions

Silverfern Farms – moving to higher end produce with the ability to trace farm to plate

Ravendown / Ballance – reduced reliance on phosphates in fertilizer. Considering other alternatives with lower impacts upon the environment.

### **2. Do you think that there will be a steady increase in purpose-led businesses? Are there other possible futures you think we should note?**

Internationally there is a significant increase in the establishment of purpose led businesses leveraging the member owned / collective business model. In particular, given their fundamental driving principles which are focused on supporting their members versus maximising profits. The new generations are recognising the need for change and this is seen as a way to enabling change.

These fundamental principles (Rochdale Principles ) are internationally recognised (owned and maintained by the International Cooperative Alliance, and supported by the UN) as being core to how they operate, leading to business focused on people, planet and profits.

1. Open and voluntary membership
2. Democratic Member Control - Members contributing equitably and controlling their organisations democratically



3. Member Economic Participation - Member benefits based on the volume of supply and / or the amount of business transacted (pooling resources)
4. Member autonomy and independence (self-help and self-responsibility)
5. Education, Training and Information (provided to Members and general public)
6. Co-operation amongst co-operatives (collaboration)
7. Concern for community (social responsibility)

Globally, Cooperatives and Mutuals generate GDP equivalent to the 5<sup>th</sup> largest economy. They employ 10% of the worlds working population. Here in New Zealand we have a greater reliance upon primary sector co-operatives, however, internationally there is a significantly greater proportion of financial services and retail organisations applying the model.

The adaptability of the model to multiple sectors and organisation constructs makes it highly appealing.

Cooperative Business NZ is continuing to see an increase in requests to assist the establishment of these organisation's as both commercial and social operations. It is also heartening to see a number of individuals and groups looking to establish Māori owned businesses that support their communities. It is common internationally for the model to be applied to support their indigenous people to improve their lives and livelihoods, and this is often undertaken in conjunction with the various national and regional governments.

B Corp Certification is on the rise. However, cooperatives and mutual businesses already operate under principles that are held up by the International Co-operative Alliance in conjunction with the UN that ensure these businesses are operating in a manner that is best practice to support their members and their communities.

The Cooperative Bank recently applied for B Corp certification. Due to their underlying principles, this was achieved with minimal requirement to revise their core strategies.

### **3. Are there other opportunities or risks that could arise from a steady growth in purpose-led businesses?**

Please type your submission below:

Opportunities include:

- Housing co-operatives (20% of housing stock in many European states, along with significant
- Health sector – specialist services
- Māori & Pacifica – enable improved lives and livelihoods within their communities (establish collective businesses to assist their individuals across multiple industries, i.e. trades, agriculture, horticulture, aquaculture, to collaborate and create scale and competition)



Risks associated with their steady growth include:

- The International Labour Organisation (ILO) provided guidelines to international governments (193) on the need to establish a legislative environment that ensured co-operative and mutual businesses are able to thrive. Here in New Zealand, we are still waiting on the government to consider and incorporate these guidelines into their thinking.
- Ensuring Minister, Ministries understand the model and put in place the right regulatory environment to support them
- Knowledgeable professional advisors (legal and financial) understand the importance of these businesses to the NZ economy
- Lack of funding to assist in their establishment

**4. Do you think that there is a greater role for business in contributing to wider societal outcomes? If so, what do you think business needs to be able to do this?**

Businesses here in New Zealand are going to be central to enabling delivery of societal outcomes. Whether that be through supporting the reduction of poverty, providing employment, providing a sustainable food supply, supporting their communities through key initiatives, moving their organisations away from the use of fossil fuels, and enabling a carbon neutral environment.

The government of the day needs to work more collaboratively with our business community to find solutions and create a framework to enable greater momentum to enable achieving these outcomes.

The co-operative business model is about enabling self help and autonomy, moving people away from a reliance upon social welfare and social housing. By businesses being established, leveraging the model, there is a major opportunity to transfer reliance on the state to the private sector.

To enable this, the government of the day needs a far greater understanding of the importance of New Zealand's co-operatives and mutuals to our economy. To date, there is little recognition or understanding of how critical cooperatives and mutuals are to New Zealand. Many Ministers / Ministries, professional service advisors (legal, accounting, consulting) still misunderstand the business model believing it to be alternative, or non mainstream. This is a significant risk.

Cooperative Business NZ has completed research in conjunction with PwC (see link below) which confirms that the co-operatives and mutuals themselves generate 18% of New Zealand's GDP by revenue. This research only considered the businesses themselves, however, their 1.5M members (which a significant proportion are SME's and businesses in their own right) were not assessed which would identify a significantly greater proportion of our reliance upon these businesses in driving our economy.



[https://nz.coop/Attachment?Action=Download&Attachment\\_id=88](https://nz.coop/Attachment?Action=Download&Attachment_id=88)

In Australia, a government enquiry was undertaken to investigate how important and entrenched co-operative and mutual businesses were to their economy with a number of recommendations made to enable these businesses to thrive and prosper.

The following high-level recommendations were made, which are highly relevant to New Zealand given the similarities in our economies

- Upskilling of members of parliament and key stakeholders (may be through a formal induction programme for all new entrants)
- Consider creating a co-operative portfolio by putting in place a Minister for Co-operatives (as is the case in the UK)
- Upskilling of professional advisors to these businesses
- Education on the model at university and post graduate levels
- Greater government and private sector funding to enable the establishment of both profit and not for profit businesses

#### **5. Do you think there is a role for government in enabling purpose-led businesses? What role should or could government play?**

The government has a critical role to play to ensure these businesses a better understood and supported.

Currently when engaging with Ministers and Ministry senior leaders, there is a lack of understanding of the business model. Many believe these organisations to be corporates or franchises, with little knowledge of their construct. Given this lack of knowledge, it leads to them being considered alternative, instead of being recognised for being some of our most successful.

Here in New Zealand, we have 5 pieces of legislation that support member owned businesses:

- Cooperative Companies Act
- Industrial and Provident Societies
- Building Societies and Credit Unions
- Friendly Societies
- Farmers Mutual Act

We need far greater education on the model at multiple levels:

- New entrants into parliament and bureaucrats to ensure they appreciate the importance of these businesses.
- At University level, we need education incorporated through the business schools on the model so graduates of law, accounting, economics, business, management, etc understand how to best support them to continue to thrive and prosper.
- At post graduate level, opportunities to ensure continuous learning on the business model would assist with greater wrap around support for the continued success, i.e. Law Society, CAANZ





ILO recommendations made in 2002 (193) are still to be recognised by our government.

There needs to be funding allocated to enable investment in supporting these businesses to get established as there is for other business models.

Need the Reserve Bank to engage with the banking community to review the currently lending rules that apply to these businesses. Currently there is a view of member equity being treated as debt (as is the case with investors in the stock market). However, these individuals as a rule are investing in the business for the long-term to support their families lives and livelihoods for multiple generations.

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## **6. Are there any other aspects to the current development and use of blockchain that you are aware of?**

Cooperative Business NZ is not close enough to our members technology strategies to respond to questions related to blockchain fully.



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However, Cooperative Business NZ is working with our Corporate Associate Member, KPMG, in conjunction with Trans Alliance New Zealand (TANZ) along with other agencies including Agritech and Rezare to facilitate engagement with our primary sector members to put in place blockchain solutions tracking produce and farm emissions, from farm to consumer.



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**7. What else do you think may be probable or possible about future developments in the use of blockchain? Are there other opportunities or implications?**

Cooperative Business NZ is seeing an increase in technology based co-operatives looking to establish, including platform co-operatives that are unlimited by country borders, i.e. Stocksy United.

This provides multiple opportunities to establish international service driven organisations.

**8. What approaches should or could Aotearoa New Zealand take with blockchain going forward to manage risks and enable opportunities?**

Support current co-operatives and mutuals to invest into blockchain solutions.

Along with creating an environment that enables the establishment of co-operative businesses (may suit hybrid models, i.e. supplier and employee ownership) that enable leveraging blockchain solutions.

**9. Any other comments?**

Cooperative Business NZ would ask that MBIE to consider the following:

- Undertake an enquiry to review how cooperatives and mutuals across all sectors currently benefit our economy and society and consider how they could support us going into the future.
- Review recommendations made by the ILO's 193 to international governments around providing a legislative framework to enable these businesses to thrive and prosper.
- Consider how we educate current and future generations to better understand the business model to ensure providing the right advice, leadership and support.
- Provide better funding to ensure the right wrap around support for these businesses to assist in their establishment and their operations.