

CO-OP COMEBACK IN THE OUTBACK

Rural communities are pooling funds to plug the drain of essential services

Story by **Nicholas Montgomery**

In last year's documentary 'The Take', alternative-globalisation journalist Naomi Klein followed Argentinian communities and workers as they took over businesses closed by Argentina's depression. Sewing shops, steelworks, petrol stations, supermarkets, hospitals and schools suddenly reopened when ordinary people decided enough was enough. That communities could not only mount a 'takeover' but also make profitable business with a new model based around a 'social-business' offered a refreshing alternative. Could it happen elsewhere? was the concluding question posed by a petite Argentinian grandmother on a sewing line. Well, it's already happening in rural Australia. But rather than a 'takeover' it is taking the form of a 'community buyout' of redundant businesses.

Not many people in the city realise it, but for years a semi-depression has afflicted many rural communities across Australia, apart from the occasional good years for agricultural yields and exports. Changing global agricultural markets; lack of employment; centralisation of health, education and energy; drought and fire; low birth rates; and an exodus to the city or more preferred towns all play a part. Loss of the simplest revenue streams can mean that even long established businesses providing essential services shut up shop fairly quickly. And even if a community remains successful, small business owners retire or large corporations move on, citing 'lack of profitability'.

Isn't this the co-op's comeback?

Kaniva, a town near the South Australian and Victorian borders, is a classic case in point. When Mobil decided to sell off its franchise, nobody seemed to want to the touch the petrol station/ roadhouse. Residents not only feared a

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90 kilometre round trip for a fill-up at the next town but community spending going elsewhere and the slow death of the town, says Councillor, mechanic, and resident Darren Rayner. 'Pushed to the wall' the community decided to 'buyout' the business. But how would the community finance the steep \$350,000 buyout?

Rayner says it was a simply a case of convincing the locals to become shareholders. First, Rayner sent out a flyer asking for 'donations' ('technically illegal, crazy regulation,' he laughs); then he and a few mates held a town meeting. Around 2,000 retired farmers, neighbours and publicans invested over \$280,000 to buy the enterprise. But residents were at a loss to know where to go from there 'with all the complex legal and regulatory



Devenish Hotel

paperwork'. So they called in Co-operative Development Services Ltd's Director, Tony Gill, for advice. 'I got a call one day asking for advice on the petrol station, so I went up there,' says Gill: 'On the ground, I found the community committing to take the business on as a proprietary company limiting shareholders at 50. So I advised them to start a co-op.'

The petrol station was reborn in May 2005 under the Kaniva Community Co-operative. Since then Darren Rayner says the community takes 'pride' in the facility. 'It's become a focal point. The community meet there, have dinner and spend more money at the station because they are shareholders. Best of all, there's a reasonable profit to give back to shareholders,' Rayner adds, 'So we have opened a few eyes about business and community. Really community ownership is the only way these small towns will survive.'

The community buyouts Gill has encountered all have one thing in common: desperation. 'Community buyouts are a last resort, when everything else has failed, so communities become desperate for an alternative.'

Now here's a trend

Alan Greig, Ownership Strategies Director of the Mercury Centre a co-op research centre – says he had found around 6 buyouts in the last couple of years, adding to a total of 25 that he knows about. Petrol stations, stores, hotels, and old cinemas are at the forefront of the buyouts, he says.

He explains that buyouts tend to gather steam in social hotspots where the community 'stop and chat'. So it's hard to pinpoint community buyouts because 'rural communities don't tend to big note themselves or look for publicity on these sorts of things,' he says. Further, because of 'the aging crisis and 40% of business owners planning to leave their business within the next 5 years', this all means that buyouts are happening frequently and people are asking about them more and more.' And so Greig has set up the Employee and Community Buyouts Network with 14 experts on call to help communities



Currently the Victorian town of Benambra is negotiating a general store buyout. Benambra was in a distressed position after the closure of the school together with the loss of farming revenue from the environmental bans on highland grazing.

Resident Anne Faithfull and accountant Ken White thought enough was enough. They organised a town meeting, and formed a co-op so residents could invest \$1,000 shares in the store with a \$5,000 cap. Benambra United Community Association has now raised close to \$100,000 and needs a further \$200,000, says Faithfull.

Of course the idea started in a pub

The co-op has based their buyout on the Yinnar Hotel community takeover 30 years ago. Arguably, the early efforts of remote rural pub patrons brewed up a model for others to replicate. Hopeton, Red Cliffs, Yinnar, Brocklesby and Devenish are quintessential Australian towns boasting heritage value hotels run and owned by communities. If anything, the Devenish Hotel case showed the hidden power of buyouts – it took only 48 hours to gather \$200,000 and buy the pub. Murray Hume Business Enterprise Centre's General Manager James Burgess, who helped with the Devenish Hotel buyout, also set eyes on many community buyouts in Victorian and NSW towns 'mainly because of drought; one of the worst in Australia's history'. 'No farming means no money, and businesses close - it's as simple as that.' Community buyouts are an organic process but communities still need financing, regulation, and government support, he says. And Burgess thinks Community buyouts can emerge as a potent model with 'matched government subsidies'.

Community-government buyouts include the Yackandandah petrol station in 2002, where the local shire council stepped in with \$120,000. Residents faced the same problem as Kaniva – a 40 km round trip to the next town to refuel. Resident Mark Mackay-Mckenzie was having none of that. He and 7 mates pledged \$1,000 for a community-company. They eventually persuaded 380 investors to chip in \$412,000 to buy the station. 'In every rural town, things are closing but we think the people need to take back control,' he says.

Mackay-Mckenzie believes that 'every town should have a company serving the needs of the community. We are showing that if there was any crisis of a business closing here, we can secure a loan and buy it out. That's something

that has not happened before in rural Australia.'

After building a modern petrol station to serve tourist demands, the Yackandandah Community Development Company (YCDC) has created 13 jobs and given 50% of profits back to the community. Now the YCDC has purchased the dying hardware store for \$100,000.

Other mature community-companies have actually gone on to build fully fledged arcades. Since the original 1944 buyout, the Nuriootpa co-op store has morphed into The Barossa Regional Shopping Centre adding in 1998 an IGA, Mitre 10, Carpet Court, and 8 other shops. The Mercury Centre's Allen Greig believes that 'a successful buyout is not necessarily a rescue but it might be the start of a new period of growth for the business.' Importantly, community buyouts within arcade blocks spawn health and childcare services, points out Burgess. He says, 'Communities will come together and purchase or build a community transaction centre.' So what's a Community Transaction Centre? 'A place where all services – child care, doctors, banks – go under one space, a CTC,' he explains..

Even community owned hospitals!

Hospitals in community hands present another community buyout area. In 1989, all of Yeoval's 450 residents paid \$20 per share and \$22 yearly membership fees for the Yeoval public hospital buyout. The buyout also took assistance from local government's 'Multi-purpose Centre' funding and local charities.

Yeoval Community Hospital Co-operative CEO and resident Col Francis says the hospital serves 1500 in the surrounding area. 'The community and co-op model has worked extremely well because we are in it for the community. We have gone from 8 to 35 beds, 2 doctors and expanded to meals on wheels, physiotherapy, optometry, X-ray services, podiatry and an early childhood community nursing service.' The hospital raises extra investment by literally playing the stock market – 'the co-op raises cattle for yearly profits of \$10,000,' says Francis.

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Since 'hospitals are very expensive'. Francis knows of only one other community hospital in Clifton, Queensland.

Of all the caveats holding back community buyouts 'culture' is cited the most. Australians like to think the state should step in and look after its citizens, which effectively precludes community finance from mushrooming. And for the most part Australians 'do not see the potential benefits of community ownership like Europeans do,' says Gill. In Europe, the population density and tendency to a left wing philosophy has seen a sharp increase in community buyouts. Greig says that 200 village businesses alone have been bought out in Britain in the last 5 years and that the movement has the support of the Prime Minister in waiting, Gordon Brown.

Other than cultural impediments, 'there's a risk factor



Benambra local store

here as well, if something goes wrong (with the buyout) it hits someone,' says Gill. And community-bought enterprises are not immune to rural problems. Late last year Kyogle plywood factory – bought by the community 15 years ago – burnt to the ground, taking 40 jobs with it.

Burgess also sees a distinct corporate responsibility issue for big business in the prospect of a community buyout. 'We contacted a major fuel company about a possible buyout in a town,' explains Burgess: 'They realised there was some bad press in closing up, so reopened the station.'

When community buyouts trigger various cultural, social, and economic mores, they turn on radical ideas. For similar reasons, towns are increasingly looking to employee buyouts.

'Small and medium business owners retiring may not have children or their children go off to the city,' explains

Mybridge Consulting and employee buyout advocate Gary Delbridge: 'There's no succession plan, but what owners are doing is looking at selling the business to employees.'

Mybridge Consulting has helped 5 buyouts recently and 'they are flat out' with business or employees enquiring about employee buyouts. The model works by employees leveraging their sick pay and superannuation, devising an Employee Share Ownership Plan (ESOP) and then taking a salary sacrifice package to repay a bank loan. 'ANZ bank are getting behind the model and we think the big banks understand the need is increasing,' adds Delbridge.

Cross-fertilised with employee buyouts, the resurgence of co-ops is increasingly becoming Australia's own 'buyout.' And it's one remedy for the semi-depressed rural parts of Australia to help keep their towns alive. □

Known community buyouts

Caravan Park (Albany , WA)
 Hotel (Yinnar, Vic)
 Cheese Factory (Kenilworth , Qld)
 Community Info, youth and drug services
 (Hobson Bay, Vic)
 Cinema (Bowraville, NSW)
 Hospital (Yeovil, NSW)
 Cinema (Gulgong, NSW)
 Manufacturer, (Sydney , NSW)
 Cinema (Young , NSW)
 Petrol Station (Kaniva, Vic)
 Cinema (Manildra, NSW)
 Petrol Station (Yackandandah, Vic)
 Cinema (Ouyen, Vic)
 Cinema (Tumut, NSW)
 Store (Culgoa, Vic)
 Hotel (Devenish, Vic)
 Store (Lexton, Vic)
 Hotel (Hopetoun, Vic)
 Store (Nuriootpa, SA)
 Hotel (Red Cliffs, Vic)
 Store (Walbundrie, NSW)
 Hotel (Brocklesby, NSW)

Source: The Mercury Centre



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