

The Irish Co-operative Organisation Society
Opening Remarks to the Joint Committee on Business, Enterprise and Innovation
Tuesday 25 June 2019

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Chairman, Members of the Oireachtas,

1. *Introduction*

- a) I would like to thank you for the opportunity this morning to discuss the detailed scrutiny of the Industrial and Provident Societies (Amendment) Bill 2018.
- b) By way of introduction, ICOS serves and promotes co-operative businesses and enterprises, across multiple sections of the Irish economy, making ICOS the leading organisation for registering new co-operatives in Ireland and reliable, experienced advisors on co-operative rules and governance in Ireland.
- c) Our core business is to provide leadership to the co-operative movement in Ireland. We use our collective voice to put the needs of the co-operative movement and our member co-ops to the forefront of what we do. We draw upon the pioneering and innovative spirit of our founding members to help strengthen our co-operatives operating in today's ever changing and competitive world.
- d) Starting from the agricultural co-operative path set by our founding President, Sir Horace Plunkett in 1894, ICOS today has evolved to serve the co-operative sector in seven core categories, namely:
 - i. Multipurpose dairy co-operatives
 - ii. Livestock sector co-operatives
 - iii. Store, trade and wholesale co-operatives
 - iv. Service-related co-operatives
 - v. Community-oriented, culture and leisure co-operatives
 - vi. Food, forestry, fishing and beverage co-operatives
 - vii. Advisory and education-related co-operatives

2. *Co-operatives - Overview*

- a) ICOS member co-operatives, their subsidiaries and associated entities collectively:
 - i. have over 150,000 individual members owning shares in them;
 - ii. employ more than 14,000 people in Ireland and a further 24,000 abroad; and
 - iii. have a combined turnover of almost €15 billion.
- b) A significant proportion of this turnover is spent throughout Ireland in the following ways:
 - i. employee wages;
 - ii. payments to suppliers such as farmers and other small rural businesses; and
 - iii. payments/dividends paid to the 150,000 co-operative members.

- c) In addition, to the economic benefits, the co-operatives place great emphasis on enhancing the skills of co-operative staff and management. They do this via the ICOS Skillnet training programmes. This allows co-operatives of all sizes avail of a wide variety of training resources in order to develop the skills of personnel.

3. The Bill

a) Reduction of minimum number of members from 7 to 3

ICOS has reservations about the proposed reduction of special members for a number of reasons. We are of the view that it does nothing to materially promote the 7 principles of co-operation in the manner that the current figure does. For example, the existing requirement of member numbers encourages the principles of:

- i. voluntary and open membership,
- ii. democratic member control,
- iii. member economic participation and
- iv. concern for community

by simply requiring more people to be involved from the start.

Co-operative societies are sustained best where market failure drives collectivism and loyalty. To mitigate this market failure and drive this collectivism there needs to be some level of scale. In ICOS's experience the 7 Member requirement though not a guarantee of that necessary scale is at least a strong indication of it.

ICOS has a degree of concern that the reduction could lead to "cosmetic co-operatives" where a business is operating as a limited company while holding themselves out as a co-operative in order to artificially gain good public relations and goodwill.

If there are to be benefits (whether in statute or via government policy) for Co-operatives for the very reason of promoting the original market failure and "achieve together what you cannot on your own" logic of Co-operatives then surely to reduce the minimum membership opens up greater risk of abuse by individuals who would otherwise pursue a company vehicle.

If as a result of the Industrial and Provident Societies Act review it transpires that the existing 7 is reduced to a lower number, we would strongly advocate that access to establishing co-operatives at that reduced number must come with strict criteria to mitigate the risks we have just now outlined.

As an aside, in ICOS's experience of establishing co-operatives the member limit is not a barrier to successful co-operative establishment. What is a bar to successful establishment is start-up co-operatives not qualifying for certain supports (e.g. innovation vouchers) which are currently widely available to companies. This in turn discriminates against the co-operative model and thus reduces the number of co-operatives being established.

b) “Annual Return” Exemption

The Bill (section 14 – Annual Return), relates to filing of statutory accounts to the Registrar. ICOS continues to support the transparency of filing accounts and the annual return (AR15) to the Registrar. However, ICOS does support audit exemption for co-operative societies subject to specific criteria.

Over the last number of years, ICOS has received increasing requests for assistance from our small to medium sized affiliates in relation to their growing compliance burden. In addition, we have lost potential new co-operatives due to the prohibitive cost of having a statutory audit carried out. This results in them being unable to pursue their preferred corporate model and thus losing out on the co-operative benefits. While recognising the key role a robust regulatory framework plays in providing stability and fairness in the economy, ICOS would be in favour of Statutory Audit exemption provided: clearly defined criteria are set out in legislation as follows:

- i. The Society’s turnover not to exceed xxx
- ii. The Society’s Balance sheet total not to exceed xxx
- iii. Number of employees not to exceed xxx
- iv. The Society’s membership not to exceed xxx
- v. The Society’s Rulebook provides for the exemption
- vi. The Society’s Rulebook requires an appropriate periodic approval by an appropriate majority of the membership for the Society to implement the exemption for the society’s accounts

In relation to criteria v and vi outlined above we would strongly advocate that these fundamental points be varied only by primary legislation.

4. *Closing*

The strength of the co-operative is that the members own and oversee the organisation. Co-operatives are answerable to their members and to future generations of members. It is essential that this strategic involvement is facilitated and promoted by any changes to legislation.