



Diversifying business structures to enhance productivity, build economic resilience and strengthen budget sustainability

This is a joint submission to the **2025 Treasury Economic Reform Roundtable** by the Jubilee Australia Research Centre and Tim Connor, Senior Lecturer, School of Law and Justice, University of Newcastle.

The Jubilee Australia Research Centre conducts research-based advocacy, in partnership with other organisations across Australia and the Asia-Pacific, to defend the rights of people and the planet over profit and hold corporations and governments accountable. Although our goal is to ensure business operates in a way that respects human rights and the environment, we support policy reforms that achieve these goals in a way that also benefits the wider economy.

In Australia and around the world, large investor-controlled companies increasingly dominate key markets and investor power is increasingly held by a relatively small number of investment firms. We contend that Australia is not well-served by this combination of concentrated market power and concentrated investor power. We should instead support and encourage other business structures, including cooperatives and mutuals and broader interest representation on corporate boards. Diversifying our business structures to moderate investor control would not only enhance productivity, build economic resilience and strengthen budget sustainability, it would also serve other pillars of the government's productivity agenda, including the net zero transformation.

Increasing concentration of market power in investor-controlled companies

Many of Australia's industrial sectors are highly concentrated. Examples include: banking, where our 'Big Four' banks have over 80% market share; groceries, where Coles and Woolworths have over 65% of market share; telecommunications, dominated by Telstra, Optus and TPG; and mining, dominated by a relatively small number of firms, including BHP Billiton, Rio Tinto and Fortescue Metals. This reflects a global trend, where many sectors (including pharmaceuticals, consumer goods and IT) are becoming increasingly oligopolistic, a trend that has accelerated over the past decade.

Increasing concentration of investor power

Globally, the top 4 investment firms (BlackRock, Vanguard, Fidelity and State Street) now control approximately a quarter (24%) of all professionally managed assets.¹ In 1995, the then top four firms controlled approximately 9%, in 2005 it was approximately 13%, and in 2015 it was approximately 18%. There is every reason to believe global concentration will continue to increase. In Australia, institutional investors also dominate the top shareholder lists for large ASX companies (especially ASX 50 companies). Individual retail investors typically hold only a small proportion of these companies (often under 5%).

Impact on productivity?

According to some economists, institutionalised share-holder control of businesses should enhance productivity and efficiency, since institutional investors will move their funds to whichever companies operate most efficiently and will push boards to make companies more efficient. But productivity growth in Australia and across the OECD has fallen significantly since 2015. One likely contributor to this decline is that institutional investors have been pushing companies to increase the proportion of profits being returned to investors as dividends and hence reducing the amount reinvested into businesses in ways that enhance productivity, including through research and development, enhanced plant and equipment and staff training. This is particularly an issue in Australia, as franking credits have made dividends more attractive for investors relative to capital gains, increasing the likelihood that investors will push boards to prioritise dividends over long-term growth.² Before the introduction of franking credits in 1987, Australia's dividend payout ratios generally correlated with the equivalent figure for the USA, since then they have diverged considerably.³ In 2023 the average Australia dividend payout ratio was 73%, whereas in the USA it was approximately 20%.

Other relevant impacts of complete investor control of most major Australian companies

Complete investor control of our major corporations has arguably also undermined the second pillar of the government's productivity agenda: 'Investing in the net zero transformation'. Despite strong scientific evidence of the dangers that climate change pose to our environment and economy, many of our largest corporations

¹ BlackRock and Vanguard each hold more than USD 10 trillion in assets under management.

² See James Gruber, [Are franking credits hurting Australia's economy?](https://www.firstlinks.com.au) (2025), firstlinks.com.au

³ <https://www.rba.gov.au/publications/rdp/2019/2019-04/australian-equity-market-facts-1917-2019.html>

have funded campaigns casting doubt on the need for climate action. While this may be in the short-term interest of investors in fossil-fuel companies, any delay in climate action threatens the long-term viability of the Australian economy.

Alternatives to complete investor control of board elections

The investor-controlled company is not the only possible legal structure for business:

- The boards of cooperatives and mutuals are not elected by shareholders: the boards of producer cooperatives are elected by farmers, the boards of consumer cooperatives are elected by consumers, and so on.
- In Australia, both industry superannuation funds and public sector superannuation funds have employee representatives on their boards of trustees, and industry funds have an equal number of employer and employee representatives. Over the last 20 years, Industry funds have consistently produced better financial returns for members than corporate funds and public sector funds.
- In Germany, since 1976 companies with more than 2,000 employees have been required to have half of their supervisory boards elected by employees and half by shareholders. Austria, Czechia, Denmark, France, Poland and Sweden have similar laws, although only Germany requires that employees have the same number of board representatives as shareholders. Although research into the impact of this 'co-determination' model is contested, having worker representatives on corporate boards has not reduced profits over the long-term and may well have made large German companies more resilient in the face of crises such as the GFC.⁴
- In 1981, then UK PM Margaret Thatcher only allowed Murdoch's News Corp to buy the *Times* and the *Sunday Times* on the condition that the Times board include directors that were not investor-elected (and this rule was not abolished until 2022). These independent directors were appointed by a committee that included representatives from the newspaper's staff and other stakeholders.

Case Example – the Dairy Processing Sector

Prior to Australia's National Competition Policy reforms of the 1990s - which made no effort to accommodate cooperatives as a business model - Australian farmer cooperatives were responsible for more than 90% of production in Australia's dairy processing sector. Today, there is only one Australian dairy cooperative with significant market share (Norco) and it produces less than 10% of the country's dairy goods. In contrast, New Zealand's competition reforms of the 1990s prioritised support for agricultural cooperatives and, as a result, Fonterra (a cooperative controlled by New Zealand dairy farmers) is now New Zealand's largest and most successful business, responsible for 77% of New Zealand's dairy market and approximately 30% of global dairy exports. Fonterra contributes significantly to New Zealand's economic resilience, particularly in rural areas where dairy production and processing is concentrated. While some of the foreign-controlled companies that moved into our dairy sector following deregulation (eg Saputo) have made some investments in local processing plants, their investor-controlled structure necessarily reduces their commitment to working with local farmers to help them maximise their income and ensure sustainable use of their agricultural land for future generations.

Our recommendations

In light of the above, we recommend the Australian Government:

- Give ASIC, APRA and the ACCC a statutory duty to promote corporate diversity.
- Require all companies over a certain size to have more than half of their boards of directors elected by other stakeholders, with the stakeholder representation depending on the relevant industry. For example, for major mining companies the board should include elected representatives of employees, environmental groups, and ATSI communities in mine-affected areas.
- Abolish franking credits.
- Properly resource the regulation of co-operatives and mutuals.
- Reform law governing co-operative & mutual assets so legacy assets not available for distribution.⁵

If implemented, these recommendations would help shift Australian business from a short-term focus on cost-cutting and profit-maximisation to a long-term focus on building businesses that are productive, efficient and sustainable in every sense of the word. While some of these recommendations would involve moderate costs for the federal budget, these would be more than offset by abolishing franking credits, which are estimated to cost the government approximately \$30 billion in foregone tax revenue each year.⁶

⁴ See Grant M. Hayden and Matthew T. Bodie, 'The Corporation Reborn: From Shareholder Primacy to Shared Governance' (2020) 61(7) *Boston College Law Review* 2419.

⁵ See BCCM's 'Blueprint for an enterprising nation 2025' - <https://bccm.coop/campaign/blueprint-for-australia/>.

⁶ See <https://australiainstitute.org.au/post/taxpayers-fork-out-4-6b-to-pay-for-dividend-imputation-credits/>.