



Australian Government



Australian  
**Small Business and  
Family Enterprise**  
Ombudsman

17 February 2020

Senate Standing Committees on Economics  
Parliament House  
Canberra ACT 2600

*via email: economics.sen@aph.gov.au*

Dear Sir/Madam

### **Australian Business Growth Fund Bill 2019**

We strongly support the investment by the Commonwealth in the Australian Business Growth Fund (ABGF) to provide patient capital and advice to small and family businesses seeking to accelerate growth strategies. We support the intent of the bill to allow the Commonwealth to invest in a Corporations Act company to operate the ABGF and prevent the Commonwealth from controlling the operations of the ABGF.

The ABGF is necessary to address problems accessing capital for small business. Unfortunately, leaving the establishment solely to industry resulted in no action. Commonwealth investment in a corporation to manage the ABGF has proven to be necessary to close the gap on access to patient capital for small and family businesses seeking to grow and create jobs.

#### **Equity investment market**

Our 2018 inquiry into Affordable Capital for SME growth outlined the gap in the current private equity and venture capital industry's appetite to lend to small business. These investors seek rapid turnaround of their investment and companies with high growth potential. Investors take a controlling interest, implement managerial and operational changes and on-sell for a profit.

The industry's assets under management were just over \$A30bn at June 2018 and 'buyout funds account for the highest amount of AUM at \$20bn'. Notably, growth funds hold only \$2.0bn of the assets under management. The focus of these investors is to sell the business for a profit and in 2018, 73% of exits were by trade sale, no exits were through restructuring<sup>1</sup>.

#### **Patient capital**

The purpose of the ABGF is to provide small and family enterprises with patient capital over 5 – 10 years. For this to be effective, a planned exit strategy is required to work with the owners who retain long term control. The ABGF is the most effective model for delivering this outcome.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Jill Lawrence on [REDACTED] or at [REDACTED]

Yours sincerely

[REDACTED]  
**Kate Carnell AO**  
Australian Small Business and Family Enterprise Ombudsman

<sup>1</sup> Australian Investment Council, 2019 *Yearbook Australian Private Equity & Venture Capital Report*, May 2019