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Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary,



I write to you in relation to the Parliamentary Joint Committee on Corporations and Financial Services *Inquiry into Family Business in Australia*.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

A family business can be defined as a business where the ownership and management solely or largely rests with one or more members of a single family. A family business can therefore be a sole proprietor, a partnership, a trust or an incorporated business.

While many family businesses are small businesses, either not employing any people or less than five people, with most of these employees being family members or close acquaintances, some family businesses are large, such as Coopers Brewery in South Australia, the last remaining major Australian-owned brewer.

The definition and its wide scope means that detailed data are not available for family businesses in Australia. For example, the Australian Bureau of Statistics does not appear to collect any statistics that are free to the public that pertain directly to family businesses.

However, the organisation known as Family Business Australia conducts annual surveys that provide useful broad statistics and insights into family businesses, such as their importance to the economy, employment, longevity, governance, education levels, succession planning and finance. These can be accessed at their website: www.fambiz.org.au.

Many businesses, particularly small and medium sized businesses, have had trouble accessing loans because of the Global Financial Crisis (GFC) and those that have been able to secure loans have had to pay higher rates for them. For example, based on data sourced from the Reserve Bank of Australia website, the average differential between the official cash rate and a small business residential home secured variable term loan was 2 percentage points between 2000 and 2007. The average differential increased to 2.93 percentage points in 2008, 4.08 percentage points in 2009, 4.13 percentage points in 2010, 4.25 percentage points in 2011 and 4.42 percentage points in 2012. A similar rise in differentials has occurred for other loans as well, such as on small overdrafts.

In addition to the impact on the availability and cost of finance, the GFC hurt consumer and business confidence, affecting many businesses, including family businesses. Many businesses responded to weak demand for their goods and services by reducing the hours of their employees, rather than reducing the actual jobs. As a result, the unemployment rate in Australia peaked at 5.9 per cent in June 2009, which was much lower than the double digit rates in the United States and Europe.

Nevertheless, many businesses did not survive the GFC. According to data from the ABS, less than 50 per cent of sole proprietors that were operating in June 2007 were still operating in June 2011. The proportion of surviving businesses was 61.5 per cent for partnerships and almost two thirds for companies.

Both business confidence and consumer confidence have generally remained low since the GFC and many family businesses, particularly in manufacturing and retailing, are struggling with ongoing weak consumer demand, rising labour costs, rising electricity prices, rising regulatory burdens and a high Australian dollar. As alluded to above, access to and the cost finance is also difficult for many businesses, despite low official interest rates.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA

Yours sincerely

Nigel McBride

Chief Executive Officer