

6 March 2019

Senate Standing Committees on Economics  
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Parliament House  
Canberra ACT 2600

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Dear Chair

**Subject: Australian Business Securitisation Fund Bill 2019**

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the passage of the Australian Business Securitisation Fund Bill 2019. We expect that the establishment of such a fund will make it somewhat easier and cheaper for some small businesses to access external finance, and possibly encourage greater competition in the small business lending market.

We note that the Treasurer's second reading speech states "*Many business owners cannot access finance without putting their home up as collateral and struggle to gain additional finance to grow once all of their real estate has been pledged.*" While there is little doubt that there are businesses that face difficulties in accessing finance, our own research of the sector indicates that most Australian small businesses who accessed finance in 2018 did not experience difficult finance conditions.

Preliminary data from our 2018 soon-to-be-published Asia-Pacific Small Business Survey shows that 47 per cent of Australian small businesses that required external finance in 2018 found the experience easy or very easy, the second highest result of the ten markets surveyed; and higher than the Australian result from 2017. Meanwhile, 32 per cent of Australian respondents reported the experience was difficult or very difficult.

Other data from the same survey shows that Australian small businesses are highly reliant on banks, with 55 per cent stating that a bank was their main source of finance in 2018, the second highest result of the markets surveyed. In comparison, only 10 per cent of Australian respondents stated that a non-bank financial institution was their main source of external finance. We therefore welcome the establishment of the securitisation fund as it may help make smaller banks become a more competitive source of small business finance, however it is possible the policy may also hinder diversification to other sources of finance. We therefore recommend that the government monitor from where small business are sourcing their financing .

We note that other policy options exist that may improve small business access to finance, but are of the opinion that the Australian Business Securitisation Fund is the best policy option at this stage. For example, a recent OECD report titled "Evaluating Publicly Supported Credit Guarantee Programmes for SMEs" stated at page 8 that while there are economic benefits of such public guarantee schemes, such schemes also carry economic costs including potentially channelling funds to businesses that cannot

make productive use of them (and away from those that can), and keeping businesses alive that otherwise would exit from the market.

Given this, the securitisation fund is an appropriate response to the improving small business access to funding and encouraging greater competition in the small business lending market.

If you have any queries regarding this submission, please do not hesitate to contact [REDACTED]  
[REDACTED]

Yours faithfully

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