



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

18 February 2020

Mr Mark Fitt
Committee Secretary
Senate Economics Legislation Committee

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

Dear Mr Fitt

Inquiry into the Australian Business Growth Fund Bill 2019 (ABGF)

I refer to your letter of 18 February 2020 and provide the following responses:

1. "Misleading References to RBA analysis & RBA recommendations"

My comments referred to the Reserve Bank of Australia's (RBA) acknowledgement of the difficulty small, entrepreneurial business have to access funding for growth. The RBA's Assistant Governor Christopher Kent acknowledged this issue in his December 2017 speech *The Availability of Business Finance*.¹ Mr Kent identified the need for equity finance stating 'given the higher risk associated with small businesses, particularly start-ups, equity financing would appear to be a viable alternative to traditional bank finance. However, small businesses often find it difficult to access equity financing beyond what is issued to the business by the founders. Small businesses have little access to listed equity markets, and while private equity financing is sometimes available, its supply to small businesses is limited in Australia, particularly when compared with the experience of other countries'.

2. "Wilful blindness of market impact of largest growth investor in the world"

Mr Bucknell calculates the potential reach of the ABGF would be to 0.001% of all SMEs. As such, it appears that Mr Bucknell is putting forward that the ABGF would have little or no market impact.

3. "Incorrect statements by Ombudsman about # SMEs that will benefit"

In recommending the establishment of the ABGF, my office estimated that 8% of SMEs would be targeted. This does not guarantee investment in the whole 8%. Investment decisions must sit with the corporation tasked with managing the ABGF. Mr Bucknell is correct that my office did not calculate Total Addressable Market, Served Addressable Market and Serviceable Target Market metrics. This is the role of the relevant corporation. My office has consistently sought support for SMEs seeking capital between \$250,000 up to \$5 million. I note that it rests with the relevant corporation to establish the investment criteria.

Finally, as detailed in my Office's submission to the Committee, unfortunately leaving the establishment of the ABGF solely to industry resulted in no action. As a result, we commend the Government's commitment of \$100m to support this initiative.



Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

¹ Mr Christopher Kent, Assistant Governor (Financial Markets), *The Availability of Business Finance*, 30th Australasian Finance and Banking Conference, 13 December 2017.