Chapter 1

Introduction

Over half the country is employed in these businesses and something like 70 per cent of this country's businesses are in private family business hands. It is extraordinary when you think about the footprint they hold. It is pretty well hidden under a bush in many respects.[1]

...my point is not only are they different but they are also significant. Different and significant are necessary but not necessary in sufficient conditions to actually make them the focus of attention. They have been overlooked. They are different; they are significant and they are overlooked.[2]

1.1 As a field of policy focus, public debate and academic inquiry in Australia, 'family business' has been relatively neglected. There are several inter-related reasons for this. There is no official definition of 'family business' and no official data collected. There is no specific public policy focus on family business: the focus is often on small and medium-sized enterprises (SMEs). And academic research in the field is nascent, with limited data available and very few Australian universities with a course on family business.

1.2 Reflecting these factors, the public debate on family business in Australia often seems limited to the stereotypes of the family corner store at one end of the spectrum, and the trucking dynasty or the media empire at the other. The media seem often to refer to businesses that are family owned and operated without using the phrase 'family business' or acknowledging that the structure and operation of the business is because of family ownership. Indeed, it seems that many businesses that are owned and operated by family members do not themselves identify as a 'family business'. Rather, they identify as a small business, a corporation, or with reference to the sector in which they operate.

1.3 This inquiry is focussed on family businesses in Australia. It is interested in how 'family business' might be defined, the contribution these businesses make to the Australian economy and their structures, mindset, resilience and sources of funding. The inquiry aims to stimulate public debate on family business in Australia. In

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1 Mr Paul Brassil, Partner, Private Clients, PricewaterhouseCoopers, *Committee Hansard*, Sydney, 15 November 2012, p. 25.

2 Professor Ken Moores, Executive Chairman, Moores Family Enterprise, *Committee Hansard*, 16 November 2012, p. 18.

particular, it considers the case for developing a formal definition that yields regular and reliable data which is useful to policy-makers, the business community, academia and the public at large.

The referral

1.4 On 16 August 2012, the Parliamentary Joint Committee on Corporations and Financial Services ('the committee') initiated an inquiry into family business in Australia. The terms of reference for the inquiry direct the committee to examine the following matters:

(a) the definition of 'family business';

(b) the availability and reliability of information and statistics about family business in Australia;

(c) the contribution of family business to the Australian economy, in terms of financial, social, employment, innovation and sustainability outcomes;

(d) structural, cultural, organisational, technological, geographical and governance challenges facing family business;

(e) the role of family trusts in facilitating family business;

(f) access to and the cost of finance and insurance for family business; and

(g) family business responses to the challenges of the Global Financial Crisis (GFC) and post GFC resilience.

1.5 The committee set 27 February 2013 as the reporting date. The reporting date was extended to 20 March 2013 to enable tabling in both Houses on a sitting day.

Submissions to the inquiry

1.6 The committee called for written submissions by 31 October 2012. On 1 November 2012, the committee granted an extension of time for submissions until 30 November 2012.

1.7 The committee sent written invitations to make a submission to 102 individuals and organisations. This group included various lobby groups, consultancies, government departments, academics, major banks and other financial institutions. In addition, the committee sent invitations to 48 Chief Executives of Regional Development Australia.[3]

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3 Regional Development Australia is a partnership between the Australian, State, Territory and Local Governments to strengthen regional communities. RDA consists of a national network of 55 committees, which are made up of local leaders who work with all levels of government, business and community groups to support the development of their regions.

1.8 The inquiry was advertised in *The Australian* newspaper on 29 August 2012, 26 September 2012, 24 October 2012 and 7 November 2012, as well as on the committee's website. The committee also requested those member organisations that were sent submission invitations publicise the inquiry among their members.

1.9 The committee received 38 submissions. Of these, 37 are publicly listed on the committee's website; one submission is confidential and another is published with the name withheld.[4]

1.10 The committee received ten submissions from consultancy, advisory and legal firms;[5] eight were from peak industry associations and institutes;[6] six submissions from government agencies and statutory authorities;[7] five from members of Family Business Australia (FBA) and the FBA itself;[8] four submissions from academics;[9] and one submission from a major bank.[10] There was only one submission from a family business that was not a member of the FBA. That submission begins: 'Hardly anyone in small business knows about this inquiry and you have missed an opportunity to hear from us all'.[11]

1.11 In some respects, the committee is disappointed with the relatively low number of submissions received during this inquiry. Considering the claims of some stakeholders about the size of the family business sector and its importance to the Australian economy, one may have expected a greater response particularly from

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4 Submissions 10 and 12

5 Mr Bill Winter, *Submission 7*; MGI Australasia Ltd, *Submission 9*; PricewaterhouseCoopers, *Submission 11*; Pamela Low and Associates, *Submission 13*; Deloitte Private, *Submission 16*; Grant Thornton Australia, *Submission 18*; KPMG, *Submission 21*; Pitcher Partners Consulting Pty Ltd, *Submission 28*; Empower Business Solutions, *Submission 30*; FINH, *Submission 34*.

6 Commercial Asset Finance Brokers Association, *Submission 6*; Chamber of Commerce and Industry Queensland, *Submission 19*; Bus Association Victoria, *Submission 20*; Council of Small Business of Australia, *Submission 22*; Business SA, *Submission 23*; Institute of Chartered Accountants Australia, *Submission 25*; National Farmers Federation, *Submission 29*; Institute of Certified Bookkeepers, *Submission 36*; Agribusiness Council of Australia, *Submission 37*.

7 Australian Bureau of Statistics, *Submission 2*; Reserve Bank of Australia, *Submission 17*; Treasury, *Submission 26*; Regional Development Australia Hunter and Hunter Business Chamber, *Submission 27*; Department of Resources, Energy and Tourism, *Submission 31*; Regional Development Australia Pilbara, *Submission 33*.

8 Family Business Australia, *Submission 1*; Packer Leather Pty Ltd, *Submission 4*; Kennard Hire Pty Ltd, *Submission 5*; Kennards Self Storage, *Submission 15*; Taylor Bros, *Submission 38*.

9 Bond University, *Submission 3*; Moores Family Enterprise, *Submission 8*; Professor Mary Barrett, Dr Chris Graves and Dr Jill Thomas, *Submission 14*; Associate Professor Pi–Shen Seet, *Submission 35*.

10 Commonwealth Bank of Australia, *Submission 24*.

11 Laserforce International, *Submission 32*.

Australia's larger and better resourced family businesses. As Mr David Smorgon, himself from one of Australia's most successful family businesses, told the committee:

> …it is quite ironic, and frankly disappointing, that so many large family businesses are not here today—they are conspicuous by their absence in not giving submissions to this parliamentary enquiry. You have to ask yourself why. I don't know the reasons; I haven't asked them—perhaps it highlights the very private nature of family businesses: they do their own thing behind closed doors and are not focused on others…So it is not just the politicians; it is also the responsibility, particularly of those larger family businesses, to play their role.[12]

1.12 However, the committee does acknowledge that many family businesses are SMEs with limited time, finite resources and experience of the parliamentary process. These factors undoubtedly contributed to the lack of engagement from SMEs in this inquiry.

Public hearings

1.13 The committee held six public hearings: in Canberra on 13 November; in Melbourne on 14 November; in Sydney on 15 November; in Brisbane on 16 November 2012; in Devonport on 21 January 2013; and a further hearing in Canberra on 7 February 2013. At the Melbourne, Sydney, Brisbane and (subsequent) Canberra public hearings, the committee held a roundtable with several family businesses having the opportunity to discuss issues of importance and concern relating to the terms of reference. The second Canberra hearing was an opportunity for the committee to take further evidence from Treasury and Australian Taxation Office officials, as well as several witnesses from Perth via videoconference.

Acknowledgements

1.14 The committee thanks those who made written submissions to the inquiry and who appeared to give evidence at the public hearings. It appreciates the FBA's assistance in organising the public hearings and raising awareness of the inquiry. The committee particularly thanks those family businesses who generously gave of their time during trading hours to give evidence.

1.15 The committee also thanks the FBA for its invitation to the National Family Business Day event at Parliament House in Canberra on 19 September 2012. Committee members found this event useful in terms of meeting some of Australia's most successful family businesspeople, as well as outlining issues of key concern for the sector. The committee commends the FBA for organising this event. One of the key challenges that family businesses face is raising public awareness of their contribution to the Australian economy and the community. To this end, National

12 See Mr David Smorgon, Generation Investments Pty Ltd., *Committee Hansard*, 14 November 2012, pp 2–3.

Family Business Day is an excellent initiative and one that the committee hopes will continue.

1.16 The committee also thanks Ms Paula Pyburne from the Law and Bills Digest Section of the Parliamentary Library for her assistance on matters relating to family trust law.

A brief historical context

1.17 Families have, of course, been central to the functioning of economies for millennia. Hunter-gatherer societies were based entirely on kinship. These societies varied in structure but were alike in that their social organisation was formed in terms of kinship.[13]

1.18 For centuries, the power and influence of royal families structured power and commerce in Europe. Succession planning was crucial to maintaining power and maintaining property. This was also important for families generally. As the Irish and English parliamentarian Edmund Burke wrote in 1790:

> The power of perpetuating our property in our families is one of the most valuable and interesting circumstances belonging to it, and that which tends the most to the perpetuation of society itself. It makes our weakness subservient to our virtue; it grafts benevolence even upon avarice. The possessors of family wealth, and of the distinction which attends hereditary possession, (as most concerned in it,) are the natural securities for this transmission.[14]

1.19 There are celebrated examples of European families without royal blood that have used the family structure to gain and maintain power and wealth. In Renaissance Italy, families used their wealth to form allegiances that led to political power. Most famously, the Medici family, which founded the Medici Bank in the 15th century, subsequently gained political power in Florence as citizens rather than monarchs.[15] In the 19th century, the five sons of Mayer Amschel Rothschild established renowned banking houses in London, Paris, Frankfurt, Naples and Vienna. The brothers were closely connected to their father and to each other and operated according to clear, defined objectives and principles.[16]

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13 See Elman Service, *The Hunters*, Englewood Cliffs, N.J., Prentice-Hall, 1966.

14 Edmund Burke, *Reflections on the Revolution in France*, 1790.

15 Richard A. Goldthwaite, 'The Medici Bank and the World of Florentine Capitalism', *Past & Present*, No. 114, February 1987, p. 6; Tim Parks, *Medici Money: Banking, Metaphysics and Art in Fifteenth Century Florence*, Profile Books, New York, 2006.

16 Rothschild, 'Our history', http://www.rothschild.com/our_history/ (accessed 3 December 2012). See also Niall Ferguson, *The House of Rothschild: Money's prophets 1798–1848*, Penguin Books, New York, 1998.

1.20 In Europe prior to the Industrial Revolution, home-based 'cottage industries' represented the main form of production.[17] Goods were home-made and families themselves sold their wares at market. During the first Industrial Revolution in England, family businesses offered stability, certainty and clear property rights.[18] In the United States, family businesses were the basis from which large economic organisations grew.[19] Well-recognised corporate brands such as Eastman Kodak, du Pont and Kellogg commenced as small family businesses in the nineteenth century.[20]

1.21 As the process of industrialisation in Western countries continued, and as businesses outgrew the family structure, the corporate form of organisation appeared. By the 1930s, with growing interest in the separation of ownership from control, historians and management specialists began differentiating family firms from other business categories.[21] The American political scientist, Francis Fukuyama described the shift from small family business to a corporate form in the following way:

> …as a business grows, its increasing scale usually outstrips the capabilities of a single family to operate it. First to fall away is family management: a single family, no matter how large, capable or well educated, can only have so many competent sons, daughters, spouses, and siblings to oversee the different parts of a rapidly ramifying enterprise. Family ownership often persists longer, but here too, growth often requires raising more capital than one family can provide. Family control is diluted first through bank borrowing, which gives the creditor some voice in running the business, and then through public equity offerings. In many cases the family gets pushed out of the business it founded, as the latter is bought out by non-family investors…The often ad hoc decision-making structure of family owned businesses gives way to a formal organization chart with structured lines of authority.[22]

1.22 There was a view that economic development required a weakening of family ties. For some time, social scientists were of the belief that there was a natural development path that led from 'family businesses based on traditional moral

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17 See Professor Mary Barrett, University of Wollongong, *Committee Hansard*, Sydney, 15 November 2012, p. 37.

18 Andrea Colli and Mary Rose, 'Family business', *The Oxford Handbook of Business History*, Geoffrey Jones and Jonathan Zeitlin (eds.), Oxford University Press, 2007, p. 198.

19 Francis Fukuyama, *Trust: The social virtues and the creation of prosperity*, Penguin Books, 1995, p. 63.

20 Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business*, Cambridge: Harvard University Press, 1977, pp 298–299.

21 Andrea Colli and Mary Rose, 'Family business', *The Oxford Handbook of Business History*, Geoffrey Jones and Jonathan Zeitlin (eds.), Oxford University Press, 2007, p. 196.

22 Francis Fukuyama, *Trust: The social virtues and the creation of prosperity*, Penguin Books, 1995, pp 64–65.

reciprocity' to the 'modern, impersonal, professionally managed corporation based on contract and property rights'.[23]

1.23 Business consultants writing in the 1960s and 1970s viewed a tension between the non-rational family and the rational business. The thesis of many writers was that when the family and the business components clash, the rational component—the business—is the loser. Accordingly, the recommended solution was to excise the family so as to operate firms in a more 'business-like' way.[24]

1.24 This perspective has changed as researchers have focussed in more detail on the contribution that family businesses make to different societies. Fukuyama notes that while it is possible for families in some societies to be too strong to allow the formation of modern economic organisations, in other societies the family has been important to the path of economic development. In this context, he draws parallels with family structures in central Italy and in China:

> In both cases, the family plays a central role among social structures, with a corresponding weakness of nonkinship-based organisations, and in both industrial structure consists of relatively small family businesses networked together in complex webs of interdependence….In both societies, small family businesses rely on networks to achieve what amount to economies of scale. On the other hand, neither the Italian nor the Chinese family firm has been able to break out of those sectors to which they are limited by their scale and therefore occupy similar niches within the global economy.[25]

1.25 In other countries, however, businesses based on family structures occupy a central role in key national industries. The obvious examples are the *chaebols* in South Korea which have been supported by the South Korean government for decades as part of its strategy for economic development. These conglomerates, which include Hyundai, Samsung and Lucky-Goldstar, have entrenched family control with multiple business lines. They are also important political players, with their close ties to politicians and government officials. During the 2012 Presidential campaign, both candidates campaigned to reform the *chaebols*. The winning candidate, Ms Park Geun-hye, campaigned to pursue these reforms on a more gradual basis than her

23 Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity*, Penguin Books, New York, 1995, p. 65.

24 Barbara Hollander and Nancy Elman, 'Family-owned businesses: An emerging field of inquiry', *Family Business Review*, Vol. 1, No. 2, Summer 1988, p. 146.

25 Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity*, Penguin Books, New York, 1995, p. 111.

opponent.[26] These measures aside, the challenge for the *chaebols* is to ensure the transfer of hereditary power from the second to the third generation.[27]

1.26 Family businesses provide fascinating case studies that attest to the durability, flexibility and vulnerability of the family unit. In 2007, *BusinessWeek* magazine reported on the demise of 'the world's oldest continuously operating family business'.[28] Japanese temple builder Kongo Gumi had been in operation under the founders' descendants for 14 centuries—since 578.

1.27 The *BusinessWeek* article noted four factors contributing to the longevity of Kongo Gumi. First, the industry in which it operated was highly stable: '[F]ew industries could be less flighty than Buddhist temple construction'.[29] Second, the company was flexible in selecting its leaders. Rather than automatically shifting ownership to the eldest son, Kongo Gumi chose the person 'who best exhibited the health, responsibility, and talent for the job'. On one occasion, this person was grandmother of the company's last president.[30] Third, the company adopted the practice of sons-in-law taking the family name when they joined the family firm. This practice, common in Japan, allowed the company to continue under the same name even when there were no sons in a given generation.[31] Fourth, at various times, the business had to diversify. During the 19th century Meiji restoration, for example, the business lost government subsidies and began building commercial buildings.

1.28 Succession planning is not always as smooth, as the case of the Indian conglomerate Reliance Industries attests. In 2012, Fortune Global 500 ranked Reliance Industries 99th on the list of the world's biggest corporations, with revenue for that year exceeding $US76 billion.[32] The company was founded in the late 1950s by Dhirubhai Ambani. His death in 2002 led to a long family feud between the two brothers, Anil and Mukesh, over the terms of the father's succession plan. There was

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26 'Presidential politics in South Korea: Bashing the big guys', *The Economist*, 13 October 2012, http://www.economist.com/node/21564597 (accessed 26 February 2013).

27 Cho Ji-hyun, 'Is Samsung's heir-apparent close to succession?', *The Korea Herald*, 13 December 2012, http://www.asianewsnet.net/news-40149.html (accessed 27 February 2013).

28 James Olan Hutcheson, 'End of a 1,400 year old business', *BusinessWeek*, 16 April 2007, http://www.businessweek.com/stories/2007-04-16/the-end-of-a-1-400-year-old-businessbusinessweek-business-news-stock-market-and-financial-advice (accessed 3 December 2012). In 2006, with half a billion dollars in debt, the company became a subsidiary of another company.

29 James Olan Hutcheson, 'End of a 1,400 year old business', *BusinessWeek*, 16 April 2007.

30 James Olan Hutcheson, 'End of a 1,400 year old business', *BusinessWeek*, 16 April 2007.

31 James Olan Hutcheson, 'End of a 1,400 year old business', *BusinessWeek*, 16 April 2007.

32 See CNN Money, *Global Fortune 500* http://money.cnn.com/magazines/fortune/global500/2012/countries/India.html (accessed 2 March 2013).

dispute between the brothers as to whether ownership and succession issues had been settled before the father's death. Anil left Reliance in 2005, taking the company's telecom, power and finance businesses. It was the brothers' mother, Kokilaben, who implemented the division of the Reliance empire.[33] The need for a clear succession plan is a key theme of this report.

Successful Australian family businesses

1.29 Australia has a short but proud history of successful family businesses. Some of its most iconic companies have been—and remain—family owned and operated. While there is a lack of reliable data on the family business sector, historical accounts of successful family firms give a sense of the diversity and longevity of these businesses.

1.30 In 1994, Edna Carew published a book titled *Family Business: The Story of Successful Family Companies in Australia*. It contained profiles of eight Australian family businesses, all of which were at the time at least 50 years old:

- the Brown & Hurley Group established in the 1940s;
- the funeral directors Tobin Brothers, formed in 1934;
- the Ballarat-based Selkirk Brick founded in the late 1800s;
- the transport business E Murphy and Sons established in 1858;
- G James, the glass and aluminium business which commenced operations in in 1917;
- the food processing and packaging company Ward, McKenzie which began in 1863;
- Thomas Warburton, a wholesale engineering supplier founded in 1853; and
- the packing company J L Lennard which was set up in 1879.[34]

1.31 The book notes at the outset that most family businesses never make it beyond the first generation: 'a trickle survive into the hands of a fourth generation'. The book's introduction summarises the following features common to the development of these eight businesses:

- most have confronted, and dealt with, the problem of succession;
- they have a cautious approach to borrowing;
- they have a clear business plan with an aversion to diversification for its own sake;

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33 See Hamish McDonald, *Mahabharata in Polyester: The Making of the World's Richest Brothers and Their Feud*, University of New South Wales Press, Sydney, 2010.

34 Edna Carew, *Family Business: The Story of Successful Family Companies in Australia*, Focused Publishing Pty Ltd, 1994.

- they are 'loyal to family goals';
- they have a sense of having developed 'something of long-term value';
- they foster a satisfying working environment that leads to a core of long-serving employees; and
- they recognise the utility of occasionally employing 'outsiders'.[35]

1.32 A second volume was published in 1996 under the same title.[36] Again, a range of Australian family businesses were profiled including Grenda's Bus Services, the vitamin manufacturer Cenovis and de Bortoli Wines. The book's foreword is written by Professor Ken Moores (then) of the Australian Centre for Family Business at Bond University. He notes that family businesses 'have not generally attracted the attention they deserve' in part because they are in such diverse industries and locations.[37]

1.33 The second volume also has introductory pieces by the Commonwealth Bank of Australia and the Chartered Accountants Howarth & Howarth. These were aimed at explaining how family businesses can benefit from the use of their services. Notably, Howarth & Howarth's comments identified the importance of establishing a Family Constitution which set out details on the following issues:

- a clear objective—whether to sell the business or keep it in the family;
- identifying, training and installing a successor;
- the options for clear ownership;
- a policy on remuneration of family members; and
- a policy on who can join the company.[38]

1.34 In 2012, Free Run Press in conjunction with *Australia's Family Business Magazine* published an anthology of 100 Australian family businesses titled *Soul Stories*. The collection highlights the longevity and diversity of family firms in Australia. It includes stories on:

- A. H. Beard, a fifth generation Australian bedding company that began in 1899;
- Angove Family Winemakers, a fourth generation wine producer established in the 1880s;

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35 Edna Carew, *Family Business: The Story of Successful Family Companies in Australia*, Focused Publishing Pty Ltd, 1994.

36 John Arboux and James Murray, *Family Business: The Story of Successful Family Companies in Australia*, Focused Publishing Pty Ltd, 1996.

37 Professor Ken Moores, 'Foreword', in John Arboux and James Murray, *Family Business: The Story of Successful Family Companies in Australia*, Focused Publishing Pty Ltd, 1996.

38 John Arboux and James Murray, *Family Business: The Story of Successful Family Companies in Australia*, Focused Publishing Pty Ltd, 1996.

- Beerenberg, a South Australian-based farm product firm that began in 1969 by fifth generation dairy farmers;
- Coopers, the 150 year old beer brewing firm;
- Dysons Group, a family owned bus company that commenced operating in 1952;
- Haigh's Chocolate, a fourth generation firm;
- Haymes Paint, a paint-making firm that began in 1935;
- Lionel Sampson & Sons, established in 1829 in Fremantle. It purchased R. C. Sadlier (another Western Australian company) after the outbreak of World War 2; and
- Tobin Brothers Funerals.[39]

Family businesses and the BRW 200

1.35 Family businesses rank among the wealthiest in Australia. In June 2012, the *Business Review Weekly* published its annual *BRW 200 Rich List*. On that list, 29 of the 200 inherited their wealth. Most notably, the daughter of the late Lang Hancock, Gina Rinehart tops the list with an estimated personal wealth of $29.2 billion. Anthony Pratt, the son of the late Richard Pratt, is worth an estimated $5.45 billion. James Packer, the son of the late Kerry Packer, has an estimated personal wealth of $5.2 billion. Then there are first generation family business owners. Notable examples are Frank Lowy (the owner of Westfield) and Lindsay Fox (the owner of Linfox).[40]

1.36 The *BRW* Rich List distinguishes between a family in business and family businesses. While several prominent family members (some mentioned above) make the list of 'billionaires', there is also a list of the 50 richest family names. Heading this list are the Smorgon, Lieberman, Besen and Myer families, all with net wealth over $2 billion. Twenty-nine of the wealthiest 50 family businesses have property investments in their portfolios.[41]

Family businesses and migrants

1.37 Many Australian family businesses were established in the early post-WWII years by newly-arrived migrants seeking to escape economic and political turmoil in Europe. A number of the businesses on the *BRW Rich List* were established by newly-arrived European immigrants in the 1930s, 1940s and early 1950s: these include the Roth, Valmorbida, Rabinowicz, Burger and Barro families.[42] Italian migrants arrived

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39 *Soul Stories: 100 Australian Family Businesses 2012*, Free Run Press, 2012.

40 Business Review Weekly, *Rich by numbers*, 24 May–27 June 2012, pp. 68–129.

41 Business Review Weekly, *Rich by numbers*, 24 May–27 June 2012, pp 122–129.

42 'Rich 50 families', *Business Review Weekly*, 24 May–27 June 2012, pp 122–129.

in Australia with a 'specific form of entrepreneurship', which resulted in many successful Italian businesses in areas such as wine making and building construction.[43]

1.38 Migrant family businesses usually had access to an informal workforce through family and spouses who were able to contribute to the business. This workforce increased as family businesses were transferred to the second generation. The requirement that children help out in the family business was often a matter of survival for many second generation Chinese families.[44] However, many second and third generation family business members were able to obtain the formal educational qualifications that their parents did not, incorporating this knowledge into the family business.[45]

1.39 The committee is interested in the contribution made by family businesses from culturally and linguistically diverse (CALD) communities. It is an area that seems largely unexplored in academic research. Unfortunately, this inquiry was unable to produce much by way of evidence in this area. The committee does make a recommendation (chapter 2) that government should consider the need for data on family businesses from CALD communities.

The Australian family farm

1.40 Australia's agricultural sector has been based on the family farm, a form of ownership that governments have assisted. Beginning in the 1860s, land reforms were introduced to create small family farms to replace the existing broad scale pastoral holdings of the wealthy squatters.[46] After World War 1 and 2, returning soldiers were thanked for their service with farmland distributed through various Settlement Schemes.[47] Chapter 3 of this report notes that today, more than 95 per cent of Australian broadacre and dairy farms are family operated and at least partly family

43 Laura Hougaz and Michela Betta, *The Business of the Family: Italian-Australian Entrepreneurs in Victoria and their Modern Dynasties*, Australian Graduate School of Entrepreneurship, Swinburne University of Technology, 2008, p. 1125 and pp 1128–1129, www.swinburne.edu.au/lib/ir/onlineconferences/.../000010.pdf (accessed 27 February).

44 Carole Tan, 'Chinese Families Down Under: The role of the family in the construction of identity amongst Chinese Australians, 1920–1960', Paper presented at the International Conference "Migrating Identities: Ethnic Minorities in Chinese Diaspora" held by the Centre for the Study of Chinese Southern Diaspora, ANU, 26–28 September 2001.

45 Laura Hougaz and Michela Betta, *The Business of the Family: Italian-Australian Entrepreneurs in Victoria and their Modern Dynasties*, Australian Graduate School of Entrepreneurship, Swinburne University of Technology, 2008, p. 1130.

46 Dr Linda Botterill, 'Rural policy in Australia: the farm family and the farm business', *Government Reformed: Values and New Political Institutions*, Ian Holland and Jenny Fleming (eds.), Ashgate, 2003.

47 Dr Linda Botterill, 'Rural policy in Australia: the farm family and the farm business', *Government Reformed: Values and New Political Institutions*, Ian Holland and Jenny Fleming (eds.), Ashgate, 2003.

owned. This type of farm accounts for 68 per cent of all Australian farms. The indications are that vegetable industry farms and irrigated farms in the Murray-Darling Basin have a similarly high proportion of family-based operations.[48]

Structure of the report

1.41 This report has 9 chapters:

- Chapter 2 looks at the fundamental issue of whether a formal definition of family business is needed and if so, the possibilities and challenges in framing a definition. It considers submitters' and witnesses' views on a range of matters relating to a definition of family business.
- Chapter 3 is concerned with the availability and reliability of data on the sector. In the absence of a formal definition and official data, several consultancies have attempted to collect and collate their own statistics. This chapter details this evidence and comments on the accuracy and reliability of these data.
- Chapter 4 summarises the committee's evidence on the characteristics and mindset of family businesses. The committee received considerable evidence that in certain key respects, family businesses have traits that are either not present in non-family businesses, or not evident to the same extent. This chapter discusses these attributes.
- Chapter 5 discusses the challenge of planning for succession.
- Chapter 6 considers the challenges to family businesses of operating a trust structure. It details the concerns raised with the effect of taxation requirements under Division 7A of the *Income Tax Assessment Act 1936*, Division 6 of the 1936 Act, and the capital gains tax provisions.
- Chapter 7 focusses on various issues of apparent concern for family businesses in current policy settings. These include the 80 year limit on trusts, the 50 member non-employee shareholder rule in section 113 of the *Corporations Act*, employee share schemes in Division 83A of the *Income Tax Assessment Act 1997* (ITAA) and the effect of Division 7A of the ITAA on the use of trust structures.
- Chapter 8 considers the capacity of family businesses to access finance. It also considers the evidence that family businesses were able to weather the Global Financial Crisis better than non-family businesses.
- Chapter 9 presents the committee's conclusions.

48 Mr Paul Morris, Executive Director, Australian Bureau of Agricultural and Resource Economics and Sciences, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 13 November 2012, p. 39.