

**AUSTRALIAN BUREAU OF STATISTICS**

**SUBMISSION TO**

**THE SENATE STANDING COMMITTEE ON ECONOMICS**

**INQUIRY INTO PRIVATE EQUITY INVESTMENT**

Australian Bureau of Statistics  
May 2007

## **Australian Bureau of Statistics Submission to the Senate Standing Committee on Economics Inquiry into Private Equity Investment**

### **Introduction**

1. The ABS was invited to make a submission to the Senate Standing Committee on Economics Inquiry into Private Equity Investment. The ABS is in a position to provide a range of economic data and related information relevant to Senate inquiries and can provide advice on the use of various data in the analysis of the issues before the Committee. However, this submission does not give suggestions or comments regarding policy settings or regulatory matters as this is not the role of the ABS.

2. While the ABS is usually able to provide a range of data related specifically to an inquiry, this submission explains that ABS statistics do not separately identify all private equity investment. The ABS has no concerns about the Committee making this submission public.

### **ABS Private Equity Statistics**

3. Both the Survey of International Investment and the Survey of Financial Information collect data quarterly about equity investments, which includes private equity investments. However private equity investments are not separately identifiable in those surveys and are collected under the general category of "equity". These surveys support the *Balance of Payments and International Investment Position, Australia* (ABS cat. no. 5302.0) and *Australian National Accounts, Financial Account* (ABS cat. no. 5232.0).

4. An annual survey is conducted on venture capital and later stage private equity (VC&LSPE) and data are released in *Venture Capital and Later Stage Private Equity, Australia* (ABS cat. no. 5678.0). Data are collected from fund managers on four groups participating in VC&LSPE activity ie fund managers, investors, funds and investee companies. Some of the information collected is flow of funds between these entities and the entry stage of investment.

5. The following definitions are used in the annual VC&LSPE survey:

Venture capital - high risk private equity capital for typically new, innovative or fast growing unlisted companies. A venture capital investment is usually a short to medium-term investment with a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams)

Later stage private equity - investment in companies in later stages of development, as well as investment in underperforming companies. These companies are still being established, the risks are still high and investors have a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).

The survey results do not explicitly differentiate between the various types of private equity but information is available on the stage of investment in the investee.

6. The survey only captures a subset of private equity activity as it excludes:

some potentially significant activity of non-resident VC&LSPE funds (ie the scope is limited to resident VC&LSPE funds)  
any private equity investments made directly (ie not via fund managers as data are collected from fund managers)  
non-institutional investors such as business angels (private individuals investing in private equity)  
any private equity investment without the typical characteristics of VC&LSPE (refer to paragraph 11 of *Venture Capital and Later Stage Private Equity, Australia, 2005-06* (ABS cat. no. 5678.0)).

7. However, the survey includes fund of funds. This type of fund pools investments from a diverse range of investors and mainly places its investments with other VC&LSPE funds who then invest in unlisted companies. Direct investments in unlisted companies may occur, but are typically undertaken as a co-investment with another fund manager who manages the investment.

8. The terms of reference to the inquiry specifically mention superannuation funds investing in private equity. Data on the source of investment into resident VC&LSPE funds includes non residents and residents (of which superannuation funds is one category). For this information refer to table 4 of *Venture Capital and Later Stage Private Equity, Australia, 2005-06* (ABS cat. no. 5678.0).

9. ABS statistics do not separately identify all private equity investment but the annual VC&LSPE survey provides some information that may be of interest. The following non-ABS sources may also provide some relevant information:

Australian Venture Capital Association Limited web site <<http://www.avcal.com.au>>  
Venture Economics web site <<http://www.ventureeconomics.com>>  
Australian Venture Capital Guide 2005, Australian Venture Capital Journal; web site <<http://www.vcjourn.com.au>>.

10. It should be noted that there can be rapid change in the financial markets with new products and methods of financing being developed. Given these changes it is important that the definitions used by different parties to describe private equity be considered when analysing any statistical information.

### **Concluding Remarks**

11. While the ABS provides a comprehensive range of investment and finance statistics, the ABS does not have the capacity to provide statistics on all aspects of economic activity in the Australian economy. The ABS recognises that it is a challenge to keep statistics relevant in a changing economy and financial markets, in particular, are subject to rapid change with the development of new products and methods of financing. While ABS strategies continue to evolve as statistical requirements emerge and are defined, the ABS has limited capacity to expand or hasten its work program within the resources available to it. Should the Committee recommend particular courses of action requiring statistical development, monitoring or reporting, additional resource commitments may be required.

### **Contact Information**

Wendy Raedt, Director, Financial Statistics Section (phone 02 6252 6244, email [wendy.raedt@abs.gov.au](mailto:wendy.raedt@abs.gov.au)) is the ABS contact for this issue. Wendy would be happy to discuss these matters further with the Committee.

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