

THE AUSTRALIAN BUSINESS GROWTH FUND BILL 2019

SUBMISSION TO THE SENATE ECONOMICS LEGISLATION COMMITTEE

17 February 2020

SUMMARY

1. ANZ thanks the Senate Economics Legislation Committee (**the Committee**) for the opportunity to make a submission regarding the Australian Business Growth Fund Bill 2019 (**the Bill**).
2. We support the establishment of the Australian Business Growth Fund (**the Fund**).
3. ANZ is a strong supporter of small and medium business in Australia. The Fund will add to the options Australian businesses have to obtain the capital they need to grow and prosper.
4. We have committed \$100 million to the Fund, joining with other industry participants and the Australian Government to raise a total commitment of \$540 million.
5. ANZ has actively participated in the Australian Business Growth Fund Working Group, collaborating closely with other Fund participants and the Australian Government as it prepares to establish the Fund.

THE AUSTRALIAN BUSINESS GROWTH FUND

6. The Fund will provide equity capital to small and medium enterprises (**SMEs**) across a range of industries, providing an additional option for Australian small and medium businesses to access finance.
7. Specifically, the Fund has the following key objectives:
 - To provide established Australian SMEs with patient capital through minority equity (10 per cent to 40 per cent) and equity-like investments of between \$5 million and \$15 million;
 - To offer SMEs both financial support via equity (and equity-like) investment and non-financial support, including providing mentoring and talent management functions; and
 - To operate as a commercially viable entity through investments in SMEs which seek to make a market competitive return appropriate to the underlying risk of each investment.
8. The Fund is expected to provide long-term equity capital to firms with annual turnovers between \$2 million and \$100 million, and have a successful business record of at least three years.
9. The Fund will operate on a commercial basis, and will be run by a board and independent management team.

BACKGROUND TO THE ESTABLISHMENT OF THE FUND

10. In 2018 the Reserve Bank of Australia (**RBA**) and the Small Business and Family Enterprise Ombudsman (**the Ombudsman**) each released reports concerning the difficulties faced by SMEs to access finance.
11. The RBA noted in its report *Access to Small Business Finance* that entrepreneurs find it challenging to access finance, particularly without providing real estate as collateral. In addition, it reported that whilst lenders are keen to lend to small businesses, unsecured finance involves increased risk. The RBA reported that many small businesses and entrepreneurs reported delaying business expansion until it could be funded from retained profits.¹
12. The Australian Small Business and Family Enterprise Ombudsman found in its report *Affordable Capital for SME Growth* that small businesses find it difficult to secure finance once all of their real estate has been provided as collateral. The Ombudsman's report recommended establishing a Business Growth Fund to provide another avenue for Australian small and medium businesses to be able to access finance.²

OVERSEAS EXPERIENCE

13. Both the United Kingdom (UK) and Canada have established patient capital equity funds.
14. The UK established a Business Growth Fund in 2011 to make investments in the UK and Ireland. Since its establishment in 2011 it has made a total investment of £2.1 billion (\$A3.8 billion) in 296 companies.³
15. The Australian Business Growth Fund Working Group is working closely with the UK Business Growth Fund to learn from their experience in establishing such a patient capital equity fund.
16. The Canadian Business Growth Fund began its operations in June 2018. In 2019, its first full year of operations, the Canadian Business Growth Fund made investments totalling \$CAD88.5 million (\$A99.1 million) in eight companies.⁴

CONCLUSION

17. ANZ supports the Fund and will continue to work closely with the Australian Government and other Fund participants as the Fund is established.

ENDS

¹ *Access to Small Business Finance*, RBA, 20 September 2018, <https://www.rba.gov.au/publications/bulletin/2018/sep/access-to-small-business-finance.html>

² *Affordable Capital for SME Growth*, Australian Small Business and Family Enterprise Ombudsman, 29 June 2018, <https://www.asbfeo.gov.au/inquiries/affordable-capital-sme-growth>

³ *What we do*, UK Business Growth Fund, <https://www.bgf.co.uk/what-we-do>

⁴ *CBGF 2019 Year in Review*, Canadian Business Growth Fund, <https://cbgf.com/cbGF-2019-year-in-review>