

May 21, 2010

Senator the Hon Nick Sherry
Assistant Treasurer
Parliament House
Canberra ACT 2601

Dear Minister

I write to you in your capacity as Minister responsible for the Australian Bureau of Statistics.

You would be aware that the ABS and the ATO distinguish four categories of business size: microbusinesses with fewer than 5 employees; small businesses, with between 6 and 20 employees; medium businesses with between 21 and 200 employees; and large businesses with 201 employees or more.

While these categories are important and provide a useful diagnostic tool for the economy, there is no distinction drawn between family owned businesses and other companies.

All available evidence indicates that family businesses account for more than two-thirds of all enterprises in Australia and employ more than half of the country's workforce.

A common assumption is that family businesses are small to medium sized businesses and certainly the majority of these businesses would fall into these categories.

However, there are companies which are both family-owned and of a significant scale. Tey Brothers, a family-owned meat processing company in Queensland, at last report had more than 2,700 staff.

The *Survey of Family Businesses 2009* by KPMG and Family Business Australia demonstrated that family business was not all small business – of the 613 businesses surveyed, 36 per cent had an annual turnover of between \$1 million and \$5 million but 4 per cent had a turnover of between \$50 million and \$100 million while another 3 per cent had a turnover of more than \$200 million. In all, 10 per cent of family businesses in Australia turn over more than \$50 million a year.

It has been estimated by one authority (Murray Landis, www.dynamicbusiness.com.au) that family businesses in Australia are worth \$1.2 trillion to the national economy.

As you would be aware, the Australian Bureau of Statistics does not contain any category for "family business".

For example, the National Regional Profile for Queensland for the financial year 2007/2008, has an extensive listing showing that there were 404,457 businesses in this State at that time, of which 103,155 employed fewer than 5 employees. It would certainly be reasonable to assume that the majority of these small businesses would be family-owned but, equally, there would be a considerable number of family-owned businesses in the category of having more than five employees.

Family owned businesses, irrespective of their size, have some distinct characteristics which make them different from their publicly owned counterparts in the same industries. As the KPMG survey cited above noted: *"Seemingly unfashionable, conservatively managed family businesses often prove well placed to withstand and adapt to adverse conditions."*

You would also be aware that the *Corporations Act* has a somewhat one-size-fits all approach which, while appropriate for large publicly listed companies, is not suitable for family-owned businesses. The disclosure regime is an example in this regard and a review of regulatory regime for family-owned businesses is long overdue.

However, no real progress can be made until solid data is available. No matter how professional and useful surveys by organisations such as Family Business Australia are, they can only provide broadly indicative data.

What is needed is a separate reporting category in the ABS suite of statistics for family owned businesses so that we can all have a clear appreciation of the size and significance of this sector.

The ABS conducted the extremely useful Business Longitudinal Survey from 1994/95 to 1997/98 and this produced important data. However, this is now 12 years old and changing circumstances and economic environments have virtually relegated this data to the historically interesting.

I note from the ABS website that the last attributed use of this data by academics looking at small business was 2006 which tends to confirm that it is past its use-by date.

In the years immediately following the publication of this data, there was a very significant reference to it and I'm sure if this was updated and expanded it would again become a key planning and research tool.

Once legislators understand the enormity and complexity of the sector, they will be better able to understand the need for reform.

I would be grateful if you could consider this recommendation and advise me in due course.

Yours sincerely

Sue Boyce
Senator for Queensland