

**ADDITIONAL MATERIAL PROVIDED BY ANDY KENNARD
FOLLOWING HEARING IN SYDNEY
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I wish to contribute the following material to reinforce points made at the hearings:

Definition of the family business;

I believe the definition of a family business can be that as stated by FBA. It is important to note that size or number of generations does not matter as there are so many variances it is important not to limit it. It is control that is the critical component.

Information

The government and any part of the community cannot make good policy if there is ignorance about our sector. Being the largest sector in businesses across all industries must require the ABS, the ATO and other bureaucracies to become fully informed.

The contribution to the economy

This has been stated many times so I will not repeat the extraordinary size and contribution.

The long term outlook, the lower risk profile, the security for employees and many other attributes put the FB sector as the leading governance contributor of the economy in Australia (as it is around the world).

The contribution to charitable organisations is substantial in both cash and in-kind. Often in-kind contributions are larger than those in cash. The ATO can provide information on the cash donations, however this does not include the donations made by the families of family businesses. For example our family contributes the same amount as the company on a fixed basis.

By definition family business need to be innovative to remain competitive with others who have the ability to raise capital publicly. We have our 'hurt money' on the line. So many businesses, re-invest 100% of profits into the business.

Various challenges facing family businesses

The most important challenge unique to family businesses is the necessity to keep the family 'whole'. This is the prime objective of FBA. If the family falls apart the future for the family business is limited.

Governance of the family through the structures of a family constitution, shareholder agreements, board charters etc. ensures a strong family-in-business.

While the use of external directors is valuable, family businesses have governance innately, due to the nature of 'patient capital' and often all their wealth tied up in the business.

The role of trusts

Trusts are necessary to provide means for the ownership to remain in the family through multi generations.

The limitation of 80 years or so should be removed to allow this to continue in perpetuity.

Trusts are NOT tax avoidance schemes.

Access to finance and insurance

I believe family businesses are not restricted in any way due to them being family owned. This is a matter for risk assessment by the banks and insurers.

Challenges faced by the GFC

Like all businesses family businesses faced many issues in surviving this ongoing event. Many businesses have not survived but as a rule having a strong balance sheet with a long term outlook reduces the risk of failure in any business. These facets are strong in family businesses.

As the major sector in the Australian economy the omission of a minister responsible for family businesses is amazing. When good information is available we can be sure all sides of politics will add this to the government, and at Cabinet level.

Please pass this on to the members of the enquiry with my compliments.

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