



8 November 2019

The Manager  
Capital and Payments Unit  
Markets Group  
Treasury  
Langton Cres  
PARKES ACT 2600

By email: [bgf@treasury.gov.au](mailto:bgf@treasury.gov.au)

**Re: Australian Business Growth Fund Bill 2019 – Response to Exposure Draft**

I write on behalf of the NSW Farmers' Association to make comment on the Australian Business Growth Fund Bill 2019 Exposure Draft. The Association is Australia's largest State farming organisation representing the breadth of primary producer businesses – the majority of which are small or medium Australian enterprises.

One of the greatest challenges for farming businesses is access to capital – for business maintenance, innovation and/or expansion. The nature of agriculture means that these businesses are often exposed to significant variability in the operating environment – year-on-year, and have significant cost associated with essential operating plant. This means an additional risk component is applied by lenders.

Access to capital through the banking sector can be variable, and often at significant cost as most is short-term finance. There has been much public discussion about the cost of lending and the maintenance by banks of interest rates higher than the cash rate.

However, this has focussed on private mortgage borrowing rather than business capital arrangements. There has been no public discussion on commercial costs of lending for the business sector – particularly for agriculture. Agriculture has a proved track record in contributing to GDP – both through domestic and international market returns.

The Association considers there needs to be clarification regarding the interaction between the proposed Fund with the Rural Investment Corporation (RIC) which has also been established to provide capital to agricultural small and medium agricultural enterprises, so that greater transparency and precision is achieved.

The agriculture sector requires long-term certainty of capital being both available and affordable.

The intent of the Australian Business Growth Fund Bill 2019 – Exposure Draft is to establish a Corporations Act company to provide small and medium business with access to capital.

While the rules for the establishment and operations of the Fund are outlined, including access to capital to form and maintain the Fund, the exposure draft is silent on any strategies to ensure that the capital available through the Fund to small and medium Australian enterprises will be affordable.

**NSW Farmers' Association**



The intent that the Fund be able to generate a commercial return is appropriate, but in doing so the cost of capital to small and medium Australian enterprises must be affordable in the longer-term.

The NSW Farmers Association recommends that the bill be expanded to include for not only the establishment of the Fund, but the operating requirements, including the following:

- the Fund be required to deliver long-term fixed interest funding (potentially 25-30 year terms) to small and medium Australian enterprises to ensure certainty for both the lender and borrower;
- there be clarity regarding the security required for capital available through the Fund that applies to business assets and not personal assets;
- the rate of interest applied to loans to small and medium Australian enterprises be set at the current cash rate or a maximum of 1 basis point greater than the cash rate at the time of lending; and
- loans to agricultural small and medium Australian enterprises are not subject to default interest during periods of hardship due to drought or natural disaster.

The Association considers these are critical to ensure that the fund is not dependent on commercial returns from the loans to maintain the borrowing pool for small and medium Australian enterprises, as is the case for current commercial bank lending.

The current low (and even negative) world interest rates provide a golden opportunity for the Commonwealth to issue bonds/borrow at very competitive interest rates to enable these objects to be achieved.

Should Treasury require additional information, your office is invited to contact Kathy Rankin, Policy Director on 02 9478 1008 or [rankink@nswfarmers.org.au](mailto:rankink@nswfarmers.org.au).

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Wilson'.

Peter Wilson, Chair  
Business, Economics and Trade Committee