

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne — 23 November 2009

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Witnesses

Mr H. Kras, Family Business Adviser, Family Business Australia and
Mr T. Haymes, Haymes Paint.

The CHAIR — Evidence taken at the hearing will be recorded by Hansard as public evidence and will be put on the internet. You will be given copies of the transcript within about a fortnight, for correction of any typographical errors. Could each of you state your name and, as you are both appearing in a business capacity, your business and the address and your position with the business?

Mr KRAS — My name is Harry Kras. I am a Family Business Adviser. I have been asked to represent Family Business Australia, which is located at level 5, 450 St Kilda Road.

Mr HAYMES — My name is Tim Haymes from Haymes Paint, manufacturers of paint in Ballarat. It is a family-owned business and a member of Family Business Australia. The address is Waringa Drive, Wendouree Industrial Park, Ballarat.

The CHAIR — Would you like to make some opening comments?

Mr KRAS — Thank you very much for the opportunity to appear before this committee. I will make a few comments about Family Business Australia and the unique issues faced by family businesses; then Tim and I are available for questions.

We have been invited to appear here because, as we understand, the Committee has expressed an interest in understanding the challenges facing family businesses in manufacturing industry, what occurs when these businesses are looking for expansion, particularly in the current economic environment, and what happens when the founders start to approach retirement or think about transferring the business within the family or as a sale on the market.

Firstly, I would like to give you some background about Family Business Australia. FBA is a national not-for-profit membership organisation and is the peak body for family and private business in Australia. It has been established as a national organisation for about 10 years. We advocate on behalf of our members, promote their successes and foster their sustainability and longevity. We also offer education and training programs and forum groups to encourage family business best practice in order to build stronger families and healthier businesses and we provide members with opportunities to network and learn from each other and their experiences.

Members range from first-generation entrepreneurial businesses to multi-generational family businesses, from small businesses, to some of the largest businesses in the country. Members operate in most business sectors and, as indicated in a recent survey undertaken by KPMG and FBA, almost 20 per cent of them are in manufacturing industry. We have had a quick look at our membership and about 23 per cent of FBA members are in manufacturing.

I am sure you have heard from manufacturers and their organisations about specific industry factors. I have been asked to present the views of Family Business Australia on how these issues affect that peculiar breed of business that is a family business.

I have forwarded to Dr Koops a copy of a recent KPMG-FBA family business survey, which was undertaken in 2009 by Bond University. It indicates that family businesses account for around 70 per cent of all businesses in Australia. There is a graphic that has been circulated which Bond prepared. It breaks down the business community in Australia into rural and non-rural and the component that is family businesses.

The CHAIR — Excuse me interrupting. If we can get that document ‘Business demographic in Australia’ into the transcript and get it on the internet, do you wish to have that included in your evidence?

Mr KRAS — Yes. Often, though, family business is deemed to be a subset of small business, and therefore it is thought to be a simple business, but the combination of family and business brings with it a unique set of challenges that are not faced by businesses in the non-family business sector.

We are in the process of gathering data about our members. From information we have collected so far, about 18 per cent of them are in the \$1 million to \$5 million turnover range and another 18 per cent in the \$11 million to \$50 million range. So there are businesses of all sizes and the very small businesses do not really come within FBA's purview. We have some small businesses as members, but it is really those where they start to have that dynamic of a number of generations working together that FBA works with primarily.

Though it is rarely factored into general business awareness, family-owned and managed businesses bring a range of advantages to the community. Firstly, as the business is the foundation of the family's wealth, members tend to take a long-term perspective. As a result of this commitment to the future, they do not necessarily look for a quick return on their investment. They are often said to represent patient capital and are not as driven by short-term performance, as their non-family counterparts are. Tomorrow's share price and its impact on remuneration packages is just not an issue.

Because it is their family's financial future on the line, family-owned and managed businesses tend to be more conservatively managed and financed than non-family businesses. As a result, when asked in this recent survey how they were weathering the financial storm, 70 per cent reported no impact or only a small impact from the decreasing availability of finance and the increased cost of finance.

They are also quite flat organisations. They are closer to the action and operate more efficiently, with an entrepreneurial mindset and the speed that comes from a high level of trust between the key members of the management. This allows for quick decision making, another advantage that arises when operating in a downturn.

However, perhaps the key advantage that families bring to the business is their passion for their business. It is not just another job to add to the CV. The business is often at the core of the family's culture, children are brought up in and around the business, whether that is a small family store or it is the Grollo, Pratt, Smorgon or Haymes business. That brings a level of personal responsibility that often is not found elsewhere. The family will stick around. When it is their name on the door, they feel a greater level of responsibility.

This flows through to their commitment to employees and their communities. Family-owned and managed businesses have been found to have closer relationships with their employees and as a result they have lower staff turnover rates. They are also more reluctant to shed staff in hard times, as has again been borne out in this recent survey.

Another advantage, particularly in regional areas, is that there is a strong commitment to the local community in which they live and work. Often they will be a major employer and so are conscious of the role they play in creating jobs and opportunities in the local area.

There is a myth, though, that family businesses are not professional, that the emotional interplay between family members has a negative impact on business performance. However there is a large body of research now from the USA and Europe that has found that family-owned and managed businesses substantially outperform non-family businesses in terms of profitability, return on investment and other measures.

The CHAIR — Just as an aside, it would be handy for our research team to have that evidence.

Mr KRAS — I have made a note.

Family businesses have to deal with the same commercial realities as other businesses. However, because of the interaction between the family and the business there are some unique issues that they have to deal with and one of the most significant of these is succession or business transfer.

A 2006 family and private business survey was conducted by RMIT. I can shoot a copy of that across as well. It found that in 2006 the median age of CEOs of family businesses in Australia was 58 and that 80 per cent of them planned to retire in the next 10 years. Yet over 50 per cent of these owners stated that they are not exit or succession ready. It is just frightening stuff. We are three years into that period now. As an aside, one of the advantages of the current economic climate is that it has deferred the succession plans of many people in business who are recalculating their retirement requirements and the worth of their business.

We have a little bit of extra time, but the clock is ticking. In the 2009 survey, for many owners succession appears to remain out of sight and out of mind. However, business transfer is not a question of 'if'; it is a question of 'when'. The baby boomer generation will inevitably be handing over the reins whether they like it or not. The implications, if these transitions are not handled well, do not really bear thinking about. For example, other surveys, both in Australia and internationally, have indicated that family enterprises remain the largest employer group, employing over 50 per cent of the private sector workforce. It only takes a small percentage of badly handled transitions to impact on employment numbers.

In regional areas, where a family business can be the significant employer, if the transfer of the business within the family or a sale of the business cannot be negotiated, jobs will be lost and the viability of some townships could be at risk. The need to prepare for business transfer in the light of the current lack of exit readiness appears to be the biggest issue currently facing privately owned business in Australia.

In relation to ownership, transfer brings with it a number of issues, including competing calls for capital which are expressed in your terms of reference. Are funds going to be allocated to the expansion of the business or to meet the retirement needs of the incumbent generation or, in the case of multigenerational business, it is often required to buy out uninvolved family interests, and again this extracts working capital and capital for growth from these businesses.

I have already referred to the conservative funding policies of family-owned and managed businesses. If resources are applied at the business transfers, that is going to limit the growth potential of these businesses. Just over 40 per cent of the respondents in the 2009 survey indicated that they plan to pass the business on to their children. For these, the question of the preparation of the next generation of leaders becomes critical. As I will mention shortly, there is a need for training, development, support and mentoring for future leaders. FBA has encouraged this segment of our membership to form the Next Generation Group where they can network and learn to together.

The CHAIR — Can you repeat that?

Mr KRAS — FBA has what it calls A Next Generation Group, who are members of Tim's age. I'm not sure if Tim is a member of the Next Generation Group, but it encourages those who are the incoming generation to start to become aware of the issues, to start to network with each other and develop the skills necessary to take their businesses forward.

Similarly, FBA runs forum groups, which are closed groups of up to a dozen members, who come together to discuss personal, business and family issues on a monthly basis. They are conducted in a confidential environment with non-competing businesses, and only one member of a family is allowed in each group, so you can talk about whatever you want in the knowledge that it is not going to be circulated, but you can get advice from your peers in terms of how you operate better as a family business.

For those planning to sell, there is another set of issues in relation to preparation for sale and preparedness. If it is not handled well, it is not only the family's future that is at risk, but it is the jobs and also the links in the supply chain. I am not sure of the name of the last business that appeared, but if they are no longer there, who is going to be completing the supply chain?

Apart from succession, there are a number of other issues that they face. One is professionalisation, particularly of first generation entrepreneurial businesses, and this involves developing systems, procedures, introducing competent professional management to take the business to the next level. I mentioned earlier that one of the key advantages that family businesses bring is their passion.

However, passion and the emotions it evokes can be a double-edged sword and can be used for good or for evil. Effective communication and establishing conflict management systems is another important issue. This will often involve separating family issues from business issues and clarifying the rules of engagement that define how the family and the business interact with each other and it is often achieved through the creation of a family charter or a family constitution and creating governance structures for both the business and the family to start to separate the thinking. As I mentioned earlier, the training, developing and mentoring of the next generation of leaders is critical for those who intend to pass on the business.

Other issues such as determining if their children are capable of leadership is a key one; selecting the next leader if they have a number of capable successors; or, if none is suitable, the appointment of a non-family CEO also has to be dealt with. Bringing in a non-family CEO is a very emotive issue in a family business.

So how can government help? Despite the efforts of FBA, there is a lack of understanding of the implications of what it means to be a family business. FBA is currently receiving funding through a Federal Government initiative called Enterprise Connect to roll out awareness programs around Australia, and certainly any assistance in this area would be appreciated.

As a small organisation, we are limited in our ability to reach out to regional and rural areas. We are currently developing web-based learning systems to support our rural members, but it is a real issue, particularly for members in primary production in the farming communities.

A starting point, though, is an increased awareness of the family business sector by government and the general business community. As previously mentioned, some of our largest businesses and employers in Victoria and Australia are family businesses, and our challenge as an organisation is to get that message out into the business community.

In summary, your terms of reference include exploring the necessary criteria used by businesses that transfer offshore manufacturing to Victoria, and I am not sure that as an organisation FBA can help you directly in that regard. We would like to work with government, though, to ensure that more businesses do not disappear through neglect of the issues faced by family-owned and managed businesses. Thank you for the opportunity.

The CHAIR — Thank you, Mr Kras. Mr Haymes, you are supplementing?

Mr HAYMES — I guess I am here through being at the coalface, working in a family business, dealing with certainly a lot of those issues. Succession is a massive thing for us so there are questions.

The CHAIR — We have, as you have picked up, been really interested in succession planning. I think you have given us a fantastic summary of what you have been doing. If you were writing our report and you were charged with writing the section on the 'how to' for successful succession planning and what state government should do to assist, what would you want to put into that section? You might like to take this on notice or you might like to refer to some of the things you have outlined.

Mr KRAS — Certainly I would like to think about it, but our first challenge is making the family businesses that are out there who are not members of FBA aware of some of the issues that they are facing. I work in the field. Raising the issue of stepping back from a business that you

have built and that has been a critical part of your life is a tough thing to do. It involves handing over the mantle of leadership.

It often involves the person being recognised in their community for who they are and what they do. There are a lot of emotional issues that impact on the decision to let go, and it is one of those matters when I often hear the comments, 'Well, let's not open that can of worms. It is too hard to think about'.

The CHAIR — You heard the previous evidence on mentoring. For those who might find it difficult to leave a particular company that they have established, or their parents or grandparents have established, there are two issues. Would it assist them personally if they had a mentoring role in some other business environment that was not an competitor with their own, and how do we make sure that we link their personal self-esteem with that mentoring when they perhaps see themselves not just as Harry Kras or Christine Campbell, but they see themselves as a person associated with a business?

Mr KRAS — The second area is just very difficult. It gets into areas of deep psychology, and I am not a psychologist, so I will leave that aside.

The CHAIR — No, we will leave that aside. As to the mentoring, it has been raised a couple of times. We have been grappling with how do you actually make a mentoring system work, and given we have got Haymes Paint represented here, obviously we could not have the foundation team for Haymes Paint assisting any business opponent? How do we get that business acumen into other industries, and how widely transferable is it?

Mr KRAS — We have tried to establish a mentoring program. We have a register of mentors. We found it very difficult to get off the ground. As Tim will probably mention later, his father, David, has now stepped back from the day-to-day operations of the business, but he has a vast range of experience. We have many members who are in a similar position, and we have encouraged them to act as mentors to other family businesses, not necessarily dealing with the commercial aspects of their business, but they have travelled the journey in terms of letting go and establishing a new purpose in life for themselves. We believe they are best placed to share that information.

The CHAIR — You are talking about mentoring for succession planning and mentoring for life after business. I am talking more about mentoring people in, say, the furnishing industry on business skills.

Mr HAYMES — From our family's business these are two things. Dad is at that stage where he has totally removed himself from the day-to-day running of the business — finally. It has taken six or seven years for him to actually let go, which is that succession planning itself, which we can get on to later. Now there is the next generation. There is my sister and her husband who are involved, and there is myself and my brother. We are looking for a mentor. There was always that thought that dad would be the mentor, but that just does not work.

The CHAIR — No?

Mr HAYMES — In a perfect world, yes, but it just does not. We are looking for something. We have been to FBA and we have tried to find it, and it is difficult. There is nothing out there really at the moment. Dad is the prime. You harness what he has learnt in business and in manufacturing to work with other companies. But how? Is there a register or something? We are looking at it.

At the moment we need someone in our business to assist. We have found some gaps in our business, but we need a mentor to help us or take us to the next level. Dad is sort of sitting back and twiddling his thumbs a bit at the moment, but there is nothing there.

The CHAIR — If nothing else is achieved, you can get on to Bev Marks, who can put you in touch with the furniture manufacturers who are looking for the business mentoring skills that obviously your father has. That is something very positive that might come from today.

Mr HAYMES — Dad has put himself on all these councils — he is on the Ballarat ‘council for something’, and he was on ‘something else’ and ‘something else’ and ‘something else’ — but it is not really where it could really help steer a group of businessmen or steer a like — —

The CHAIR — Buddy?

Mr HAYMES — Yes, absolutely.

Mr KRAS — It is certainly something that we would like to be involved with, because we are looking for meaningful activities for those members who are letting go, and something positive, that they could add value back into the community.

The CHAIR — We might have a talk to you, or you could read the evidence of what the previous witness has said. Bruce, I know you are interested in succession planning?

Mr ATKINSON — The mentoring program that was established that I referred to before was started by the guy from Bristol Paints some years ago. We are going back about 20 years when it was first established — a pretty impressive guy. We need to check on whether or not it is still operating. I am not aware of it.

Obviously we want to hone in on the manufacturing sector rather than right across the board, because family businesses come in all shapes and sizes — they are quite diverse. In the manufacturing sector I am interested in any work that you might have done as an association or understanding that you might have of the investment by family businesses and commitment to research and development.

Mr KRAS — There is none I would have off hand. I do not know. Tim can speak for his company.

Mr HAYMES — I can only talk from our industry, which is the paint industry. If you are talking manufacturing and paint manufacture, we are pretty much the only family-owned paint manufacturing business left in Australia. Everything else is a public company, and the global players are coming into the market.

The only thing that separates us — because a can of paint is a can of paint — is quality; that is the no. 1 thing we have. We have to be continually innovative with development of new products, colour and getting our service and products to market now. It is not in stone, but it is something we have to do as a competitive advantage from where we are situated in our place in the industry.

Mr ATKINSON — On access to finance, with family business structures do you find, again from the perspective of your members, that they have difficulties in accessing capital or growth and development because they are family business structures, or is their flexibility and so forth such that they are able to access capital?

Mr KRAS — For any small to mid-sized business that is privately owned, access to capital is a key issue. Certainly the current environment has tightened the requirements but, as some of the surveys have shown, family businesses tend to be very conservative in their gearing and in their risk taking, so they will not necessarily have borrowed to the hilt. I was surprised at the result of the survey, which indicated that 70-odd per cent of them had felt no impact of a tightening of funding or the increase in interest rates or a very small impact. That surprised me; I thought it would be greater than that.

Mr ATKINSON — That is interesting, too.

Mr HAYMES — Access to capital is there. We get approached by a number of banks and other people, but there is that generational thing. Sometimes it is the founder of the business who has built it from the ground up so they have been very conservative and they do not like borrowing, even if it is to the detriment of the business. To expand you have got to find the money, and for a family-owned business to find that money and self fund is virtually impossible to a degree.

On changing the mindset of my father, because that is who I can relate it to, he has never wanted to borrow. As soon as we can pay the bank back for whatever we do, fantastic! Then we self-fund whatever we need to do, but to take our business from here to there is an issue, because there is a reluctance to take that risk.

Mr ATKINSON — With that exit from business that you spoke of, I am interested in teasing that out a little bit further to see if you have done some more work on that in respect of the exit. My greengrocer's two children are very high up in the medical profession. They were put through their studies by fruit and vegetables, but there is no way they wanted to go into the shop.

I wonder if in this day and age, with some of these family businesses in the manufacturing sector how ready are members of the family to continue in those businesses as part of an exit strategy for the principal, but retaining family ownership, or to what extent their exit strategy is dependent on a trade sale or attracting a venture capital, a private equity or even a stock exchange listing? Have you explored those different exit strategies, and can you pin them down?

Mr KRAS — There are some numbers that came through that survey which I cannot recall offhand. Some 40 per cent of the businesses said that they were looking to pass the business on within the family. There was something like 20-or-so per cent which were looking at either selling to joint owners or employees. I might be wrong on that — 20 per cent. A lot of them have not thought about it. The option of listing is available to probably only the top tier of family businesses. Often for various reasons they do not, and the same applies to venture capital. There will be a segment of the database, but I do not have the numbers off the top of my head.

Mr ATKINSON — But the numbers are available?

Mr KRAS — I think they are; there will be some information through that survey.

Mr ATKINSON — Would it be possible for us to access whatever is available in that?

Mr KRAS — Yes.

Mr ATKINSON — Thankyou.

Mr KRAS — I have sent Vaughn a copy of that survey, which is the 2009 survey, and there are other surveys. There is an old saying in family businesses that often the first generation are the greengrocers and the second generation become the professionals and the third generation become artists or musicians. People just naturally progress through a transition within a family.

The last thing that most families I have worked or been involved with try to do is force their children into the family business. Most really want to create opportunities for them. If that is within the business, that is great. If it is elsewhere, then they look at how they can support their children through that. Perhaps our current birth rates in Australia, which are quite low, might be acting to our disadvantage.

When there were families with three and four kids it was perhaps more likely that at least one of them would be interested in pursuing a career in the family business. Where there is 1.2 or 1.4 or whatever we have now, the odds are a bit tighter. I do not know if that answers your question.

Mr LIM — I am particularly interested in the percentage of your membership who are from a migrant, non-English-speaking, background.

Mr KRAS — I would not know, offhand. I could certainly inquire at Family Business Australia events. I come across many people from a range of different nationalities and countries.

Mr LIM — I am very keen to raise this because I have been involved with the Government's project which is aimed at newly established businesses, and we target the Chinese particularly, but we know that now with the Indian population growing we really need to address that need as well. The Indians probably come from a well-known business background and the Chinese come from working in a factory back home. They migrate here and they try to make a living.

The suggestion that they have not got skill in terms of accounting and local government law and all the related taxation and finance and all of that — it is pretty evident. They even asked me to attend one of their sessions. They say that they want something like what you have set up — advice they can get in their own language. That is very important.

I know that with the growing number of migrants coming to this country — a rate of more than 100 000 a year — and 70 per cent of them coming to this state, we really need to look into that if we are going to make their settlement here a success. I thought that if your council could expand your activity and reach out to them, that would be very important.

Mr KRAS — I agree; it is a massive issue and a very important issue. To date we have not, as far as I am aware, addressed it specifically. We find it hard enough to make people aware of who we are and that there is value in addressing the sort of weird aspect of how families and business interplay.

The CHAIR — I imagine there would be huge cultural differences in family expectations?

Mr KRAS — There are.

The CHAIR — Can I get a little more expansion on the Next Generation Group because I think that would be interesting in terms of succession planning?

Mr HAYMES — The Next Generation Group, with FBA— as Harry said, it is all the people around my age, with the owners of the business looking at exiting business.

The CHAIR — We are taking an educated guess on your age, but those reading this transcript would not have a clue. Roughly, what age are you talking about?

Mr HAYMES — I guess it can be any age. I suppose it is the next generation, which can be any age. I suppose what links everyone is that their father or whoever is looking at exiting the business, and it is working on that period of time.

The CHAIR — So it could be any age from 25 through to 55, could it?

Mr KRAS — Absolutely. I have a cartoon that shows a father and son. The father turns to his son and says, 'One day, son, this will all be yours — if my father ever gives it to me'.

The CHAIR — So it is any age.

Mr HAYMES — Yes, any age, and that connecting force is working through those aspects of succession. That is the major driver. That was the interesting thing when we first joined the Family Business Australia group five years ago. We were scratching our heads and thinking: we were at the stage where dad wanted to get out of the business. We had all come back into the business but how that was all going to work, we had no idea, and we are still working through many of those aspects.

What Family Business Australia offers and the Next Generation Group offers is the acknowledgement that everyone is in the same boat. It does not matter whether you are a paint manufacturer, whether you are a greengrocer or a finance group or whatever, there is exactly the same issue. And it is a massive issue because, generally, it is left until too late in the business development.

What we work with as a group is, really, a communication talk and working with people. Sorry, I am rambling a bit. Everyone is at a different stage in their journey of succession. What we have learned is that the earlier you start thinking of succession, the better, even if it is 20 years before the owner is actually looking at getting out.

The CHAIR — Is it that good that perhaps one of the recommendations you would be suggesting we examine is that some of the major business — I will pick furniture because we just had a furniture manufacturer here before you — associations set up something like the Next Generation Group, and that concept is introduced in some other associations?

Mr HAYMES — Absolutely.

Mr KRAS — I am sure it would be of value. We see our value add as that knowledge of how the family issues interact on it.

The CHAIR — Enterprise Connect is a federally funded program. Can you remember off the top of your head what are the key performance indicators for that grant?

Mr KRAS — No. I can get the detail.

The CHAIR — I would be curious to know what level of funding comes and what is the expectation in the way of KPIs.

Mr ATKINSON — My understanding of Family Business Australia is that one of its key areas of expertise has been in tax planning for family businesses. The nature of those companies, the structures they often have, can result in some pretty nasty surprises in the succession if they are not properly structured and prepared. Can you give us any idea of some of the implications in terms of taxes that are nasty surprises for smaller family businesses, particularly in manufacturing?

Mr KRAS — Certainly. I do not know that I would say that tax planning is a major thrust of the organisation. There are a number of adviser members to FBA, including tax advisory firms and lawyers, who look at the technical aspects of succession. I can remember, anecdotally, having a discussion a number of years ago with a partner of Deloitte — it was a discussion group I was in.

He raised an example of a business that his firm had advised the sale of and had been actively involved in the negotiation for the sale. He was a tax partner, and he was then handed the deal and asked, ‘This is the deal. How can we view it from a tax perspective?’. His eventual advice was to tell the vendor, ‘Go back and ask for \$1 million less and you will end up with a much better cash result’. I thought that is a pretty curious state of affairs that our taxation system has got us into.

There are enormous ramifications on sales and I am not qualified to speak to them, but when those sorts of situations arise it is almost *Alice in Wonderland*-type stuff.

The CHAIR — Thank you.

Mr ATKINSON — Obviously family businesses are no different to any other business in the manufacturing sector in terms of the challenges they face. Would you have any comments on what you see as some of the specific challenges facing manufacturing businesses in Victoria?

Mr KRAS — It would only be general comment. Compliance and regulatory issues are difficult for small to mid-sized businesses to get their heads around often. They are sometimes a bit of a sleeper in that they are hammering away, doing the stuff that makes their business tick, and these continually fall into the category of, 'One day I'll get this stuff right'. But it cannot be ignored or should not be ignored. Certainly there are a range of issues in that regard. Please do not ask me for recommendations on how to get around those.

The CHAIR — All right.

Mr HAYMES — From our perspective, paint is an interesting one. There is not a lot of importing of paint into Australia at the moment. It is very heavy so it is very difficult to import, which is great, but it is changing. It is not so much the paint is coming from China or coming from the states or wherever, it is the PPGs of the world, which is the second or third-biggest paint company in the world, which has come in and now bought Taubmans and Bristol. Nippon Paints have come into Bunnings, so there are those pressures, and I am sure that is the manufacturing industry across the board. As a family business, we are now competing not just with publicly listed companies from Australia; we are now competing globally. Price issues are the major sorts of things, so it is just trying to find that niche or that difference in service and quality. That is all we have got really.

Mr ATKINSON — In terms of your membership, have you done any analysis of the export performance of those businesses?

Mr KRAS — Not that I am aware of.

The CHAIR — I asked a lot of questions in relation to the grocery supermarket outlets and how they have the potential to basically destroy a particular longstanding manufacturing company. You mentioned a particular company, Tim. Do you in Family Businesses Australia — and about paints, if you wish to make a comment, but I will stick with Family Business Australia — find that some companies are articulating that they cannot get a fair entry into the Australian retail outlet system for their product basically because of anti-competitive measures taken by some retailers? You raised the name of a company there, Tim. I am not asking you this question because it might put you in a terrible position, but I must carry on.

Mr KRAS — In my work as a business adviser and consultant I have worked with manufacturing businesses and family-owned manufacturing businesses and certainly some which are suppliers to the major supermarket chains.

The CHAIR — Or retailers — hardware retailers?

Mr KRAS — They are under constant commercial pressure.

The CHAIR — Anticompetitive behaviour, would you say?

Mr KRAS — No, I could not comment on that.

The CHAIR — You are protected by parliamentary privilege.

Mr KRAS — I appreciate that, but I just do not have sufficient information to make a comment that would be of any value. Certainly it becomes quite an emotive issue. If I think back in my past, there would have been clients I have dealt with who may have used that comment, but whether it was truly anticompetitive or not, I do not know.

The CHAIR — If after you have left here there is some company or individual who you think may wish to appear, they are very welcome to do so. They must give honest evidence to us, but they are protected by parliamentary privilege. Some of them may be people who have actually left a particular industry.

Mr ATKINSON — They are not worried about getting sued for defamation; they are worried about losing their products off the shelf.

The CHAIR — That is the point. If they have already left, it does not matter as much. Thank you very much to both of you for coming along this afternoon. The transcript will be provided to you within about a fortnight. You are free to correct any typographical errors. I wish you a good afternoon and a safe, speedy trip home.

Mr KRAS — Thanks for the opportunity.

Witnesses withdrew.