



**To: The Senate Economics References Committee - Inquiry into Finance for The Not For Profit Sector**

**On behalf: Australian Employee Buyout Centre**

23 September, 2011

Many thanks for the opportunity to address the Committee

The AEBC is a not for profit organisation set up in 2010 upon the initiative of the Australian Employee Ownership Association and funded under the Federal Government's Jobs That We Own Program, established by the Rudd Government and now completed.

We have assisted struggling SMEs to survive in the harsh economic conditions for Australian manufacturers, to improve their productivity and longevity through the introduction of wide employee share ownership.

We have provided funding for SMEs to introduce employee share ownership schemes, as a financial solution or for business succession reasons, conducted tenders for the advisors and facilitated the transactions. In a recent case study, for C-Mac industries, an aging owner with a marginal financial business and no serious prospects of a trade sale or transfer of the business to her children, introduced an employee share ownership plan offered to all employees and 29 out of 31 decided to participate. AEBC paid for the advisors. The C-Mac ESOP has shown a great shift in employee attitudes towards the business and productivity has increased 18% in 3 months, with job security, participation, transparency and ownership. Two employees now sit on the company board.

There are an increasing number of aging owners of SMEs and for many, closure is the only option, with the consequent loss of jobs and skills. ESOPs are not an option for most as they cannot afford the fees of the advisors and with the funding for AEBC no longer available, we will not be able to assist most of them.

I ask the Committee to consider recommending that AEBC funding is resumed so that it can continue to assist SMEs particularly in the manufacturing sector, to have an option other than business closure, with the consequent loss of jobs and skills.

**Elena Kirillova**

**Chairman**

### Leveraged ESOPs Taking Off

A leveraged ESOP looks something like this:

