The Senate

**Standing Committee on Economics** 

Private equity investment in Australia

Printed by the Senate Printing Unit, Parliament House, Canberra.

© Commonwealth of Australia 2007

ISBN 978-0-642-71861-7

## **Senate Standing Committee on Economics**

### **Members**

Senator the Hon Michael Ronaldson, Chair Victoria, LP Senator Ursula Stephens, Deputy Chair New South Wales, ALP Senator Cory Bernardi South Australia, LP Senator Grant Chapman South Australia, LP Senator Annette Hurley South Australia, ALP Senator Barnaby Joyce Queensland, NATS Senator Andrew Murray Western Australia, AD Senator Ruth Webber Western Australia, ALP

## **Participating Members**

Senator Penny Wong
Senator Steve Fielding
South Australia, ALP
Victoria, FFP

### Secretariat

Mr Peter Hallahan, Secretary
Dr Andrew Gaczol, Principal Research Officer
Dr Richard Grant, Senior Research Officer
Ms Stephanie Holden, Senior Research Officer
Mr Glenn Ryall, Estimates/Research Officer
Ms Lauren McDougall, Executive Assistant

PO Box 6100 Parliament House Canberra ACT 2600 Ph: 02 6277 3540 Fax: 02 6277 5719

E-mail: economics.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate/committee/economics\_ctte/index.htm

# **TABLE OF CONTENTS**

Membership of Committee	iii
Chapter 1	1
Introduction	
Conduct of the inquiry	2
Acknowledgments	2
Background	2
Introduction	2
The mechanics of private equity	6
Benefits of private equity	12
Chapter 2	15
International and domestic trends	
International trends	15
Drivers of the rise in leveraged buyouts	17
Trends in Australia	18
Outlook	24
Chapter 3	25
Effects of private equity on capital markets	
Equity markets	25
Debt markets	29
Other effects	32
Conclusion	32
Chapter 4	33
Tax revenue implications	
Introduction	33
Taxation implications of private equity takeovers	34
Offsetting factors	38
General taxation law compliance issues	41
Overall assessment of the revenue impact	42

Chapter 5	45	
Is current regulation of private equity adequate to protect the economy and the national interest?		
The Reserve Bank of Australia's view	45	
The financial regulators' view		
The adequacy of existing regulations for unlisted companies	48	
The Takeovers Panel's Guidance Note	49	
The power vested in shareholders	50	
Concerns about the existing regulatory framework	51	
The difficulty defining industries of economic significance	52	
Benefits to the Australian economy	53	
Conclusion	55	
Labor Supplementary Report	57	
Senator Barnaby Joyce's Additional Comments	59	
FAMILY FIRST Dissenting Report	61	
APPENDIX 1		
Submissions Received		
APPENDIX 2	65	
Public Hearing and Witnesses		