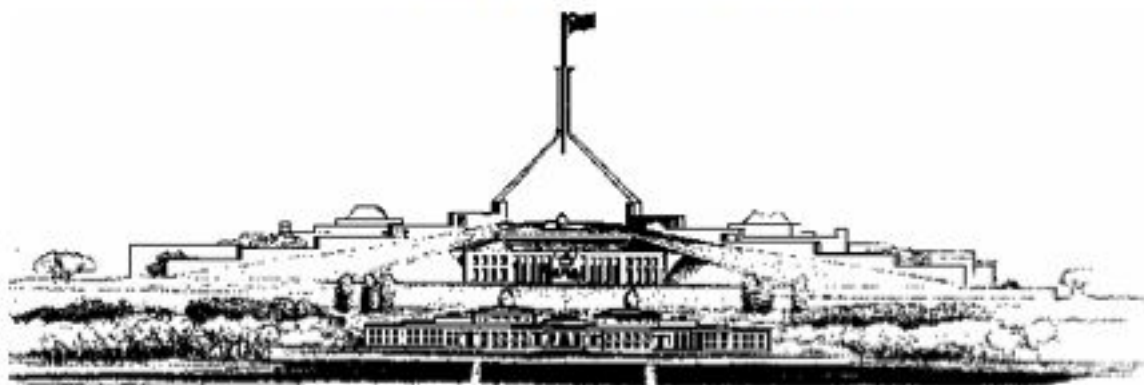




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**PROOF**

**BILLS**

**Corporations Amendment (Crowd-sourced Funding) Bill 2016**

**Second Reading**

**SPEECH**

**Wednesday, 8 February 2017**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Wednesday, 8 February 2017  
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**Questioner**  
**Speaker** O'Brien, Ted, MP

**Source** House  
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**Responder**  
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**Mr TED O'BRIEN** (Fairfax) (10:17): It was Robert Menzies who said:

We took the name 'Liberal' because we were determined to be a progressive party, willing to make experiments, in no sense reactionary but believing in the individual, his rights and his enterprise ...

Free enterprise has been at the heart of the Liberal tradition since the party's inception. Even today, half a century after Menzies first spoke those words, free enterprise remains the answer to many of the social and economic challenges our nation faces. One such challenge, a challenge that is both social and economic, is youth unemployment. Young Australians right across the country, and especially in rural and regional areas, are struggling to find work. Approximately 300,000 young Australians from 15 to 24 years of age are officially unemployed. This one relatively narrow age bracket equates to nearly a third of all Australians who are currently unemployed.

This problem is not uniquely Australian, by the way; it is a global phenomenon—almost an epidemic, some would argue. While our youth unemployment rate, at 13.3 per cent, is a very serious issue, in France it is 26.2 per cent; in Spain, 42.9 per cent; and in South Africa, a catastrophic 54.2 per cent. Whose responsibility is it to solve this problem, and what sorts of solutions are out there? With the erosion of civil society over recent decades, responsibility for addressing social ills has shifted more and more to the state, to the government. As a society, we have become overly reliant on government to address social ills, and youth unemployment is as much a social ill as it is an economic one.

In lamenting the ever-growing reliance on government, I am not suggesting we back away for a moment from providing a safety net for those in need, although more can be done—and, indeed, is being done—to embed the principle of mutual obligation in our social security system. I am, nevertheless, suggesting that we need to be more creative in finding solutions to address the scourge of unemployment, and youth unemployment in particular. As a parliament, we need to rise to the challenge Menzies set and embrace free enterprise by empowering individuals to help themselves; to make it easier for people to not just find jobs, but to create their own; to encourage people to use their own enterprise to establish their own small businesses. In other words, I am one who believes entrepreneurship is a solution to unemployment. Not a silver bullet by any means, but a solution nonetheless, and one that offers great potential and warrants further exploration. And it is in this context, that I rise today to support the Corporations Amendment (Crowd-Sourced Funding) Bill 2016.

Turning an idea into a commercial reality is not easy. Like many of us here on this side of the House, I come from a business background and I know from firsthand experience the taste of success and the distaste, if you like, of failure. I know what it is like to put my own money and reputation at risk to employ others, and to make a business work. Starting a business is not easy, and it is especially tough for young people. Young Australians who wish to start their own business face three unique challenges: (1) they lack money; (2) they lack business experience; and (3) they lack a personal network across the real market economy. We need to find new ways to help young people address these three challenges, and I believe this bill will go some way to help address at least that first challenge—accessing money, accessing the capital required to get a business off the ground.

I am confident in making this claim because I have seen crowdfunding work for this very purpose in my own electorate of Fairfax on Queensland's Sunshine Coast. I founded a not-for-profit organisation a few years ago called Generation Innovation, which creates heroes out of everyday locals between the ages of 15 and 25 by helping them take ideas and turning them into commercial realities. In the first year, 2015, three start-ups emerged and the people's favourite, elected by the local community, was a grade 12 student from Mountain Creek State High School, Harry Thompson, who started a smoothie business called Swift Smoothies. In the second year, 2016, we had four start-ups emerge, and the people's favourite was Aaron Ehrlich, a tradie from Maroochy River, who started a business called Mates with Boats. I am looking forward to the 2017 program that will start soon, but my point is this: when it came to raising seed capital for Harry, for Aaron and for the other young budding

entrepreneurs of those five other businesses, we helped them crowdfund locally. Each of those businesses reached their targets because locals contributed as little as \$10. They went to the crowd and the locals supported them.

The contributions made by this type of crowdfunding were effectively donations, and such a model would not fall under the system being established by this bill, which relates to equity funding. However, I mention it here because from my own firsthand experience in helping young people go all the way from idea to the market I have seen that microfunding through crowdsourcing works. That is why I speak today with such tremendous confidence in this bill and its potential to unleash the ideas of everyday Australians that can be taken to the market that would otherwise never see the light of day. In speaking to this bill, I wanted to make that point—that it will encourage free enterprise, assist young people in particular and make it ever more possible for everyday Australians to start their own businesses. Beyond being a major catalyst for getting new businesses started here in Australia, crowdfunding also offers opportunities for existing small and medium-sized companies that already play such a vital, significant role in the Australian economy.

This is just the sort of bill that gives substance to the Prime Minister's call for agility and diversification as we expand our economy to reflect a rapidly changing world and economic landscape. The internet provides new opportunities for economic growth, opportunities for hardworking Australians and their families and opportunities for entrepreneurs and business owners to raise capital from the crowd, to create jobs and to go for growth. That is what this bill does.

As the Treasurer said when he introduced it in November last year, it opens up new and innovative sources of funding for Australian small businesses and start-ups, and this is critical because, as things currently stand, the system is inadequate and overly cumbersome. We heard that from the previous speaker, the member for Banks. Compliance costs for companies that wish to access crowdfunding are high, and it is the start-ups and the small businesses that feel it most. Larger companies will continue to have access to conventional means of attracting capital for equity, but, for the smaller players, crowdfunding opens up a much-needed funding channel, and we therefore need to keep the cost of compliance down for those smaller players wishing to participate.

Regulators will of course still need to have full confidence that accountability measures are fit for purpose, but these mechanisms cannot be so onerous as to impose further compliance costs that end up discouraging businesses from taking part. A compromise position that has been put forward in this bill is that companies will have to be registered public companies in order to crowdsource equity under this system, but there are important and substantial concessions over a five-year period. They will not have to go to the considerable expense of having annual reports audited if their crowdfunding is less than \$1 million, they will not have to provide an annual report to investors other than by posting it on the web and they will not have to hold an annual general meeting. Disclosure will still be required but not at the level of a full disclosure statement, which can be expensive to develop, obviously.

The regulators that will govern this new disclosure regime will still ensure that investors have adequate information to make reasoned decisions and will continue to have the ability to make direct contact with companies to satisfy themselves before committing their cash for equity. Investors will be protected by a limit of \$10,000 per investment, and they will have a 48-hour cooling-off period. There will, however, be no limit to the number of crowdfunding investments an investor might make.

The other extremely important element of this bill is the requirement for crowdfunding intermediaries, the organisations that have developed to provide crowdfunding services to companies, to hold an Australian financial services licence. This is a quality control measure, a reassurance for both the investor and the company seeking support from the crowd via the services of an intermediary that the Australian Securities and Investments Commission, ASIC, will have their backs. If the parliament supports this legislation it will take effect six months after it receives royal assent.

There are, obviously and maybe inevitably, contentious points in this bill. There is a view that the requirements on companies wishing to engage the crowd to raise equity remain onerous, but others say it is going to be too easy. Some say that the cooling-off period for investors is too short; others say it is too long and that the limit on investments is too low or too high, or some say there should be no limit at all. This is uncharted territory for this parliament, no doubt. It is uncharted territory for many jurisdictions, only some of which have undertaken the work to establish a framework that seeks to take advantage of this new web based 21st-century funding format as a means of promoting economic opportunity, growth and increased employment.

As the information revolution continues to unfold, new technologies emerge and industries move accordingly. There will, inevitably, be further amendments, over time, to bills such as this. For now, though, this bill before us deserves to be supported, and we need to get on with it. It is a genuine and valid effort to maximise the benefits of crowd sourced equity funding for small businesses and start-ups while protecting the integrity of our financial system and the safety of the crowd. In opening an avenue for new and existing businesses to better engage the crowd, what we are witnessing is the further democratisation of capital. We are seeing the free enterprise vision of Menzies, from half a century ago, continue its relevance in this modern age. I commend the bill to the House.