

Estimates Committee 2014
Questions Taken On Notice

(10/06/2014 to 19/06/2014)

Date: 10/06/2014

Output:

Sub Output:

Subject: Business Closures

From:Ms Delia Lawrie to Treasurer David Tollner
Department of Business

2-3

Question: Minister, recent ABS data shows that there are 340 fewer businesses in the Territory under your government. What analysis has your agency done around these business closures?

Answer:

Answered On: 09/07/2014

ESTIMATES COMMITTEE

Question Taken on Notice

Date: 10 June 2014 **Output:** 10.1
Subject: Business Closures
From: Ms Delia Lawrie
To: Treasurer David Tollner
Agency: Department of Business

Number: 2.3

Question: Minister, recent ABS data shows that there are 340 fewer businesses in the Territory under your government. What analysis has your agency done around these business closures?

Answer:

A. Number of businesses:

- The number of businesses operating at the start of 2012-13 financial year in the Northern Territory was 14,653 and at the end of financial year 2012-13 it was 14,313. The net change is -340.

B. Business exits:

- There were 2,217 business exits recorded in the NT in 2012-13, 10.5% higher than the 2011-12 business exits of 2,006 businesses. The 2012-13 NT business exit rate was 15.1%. ACT had the highest exit rate (15.3%). Nationally, the exit rate was 14.1%.
- The average NT business exits for 2009-10 to 2012-13 was 2,079. The NT 2012-13 business exits are slightly above trend although you could say around trend.

C. Business entries:

- In 2012-13, 1,877 NT business entries were registered, about 14.0% lower than that of the previous financial year. The NT business entry rate was 12.8% in 2012-13, the highest entry rate among all Australian jurisdictions. Nationally, the entry rate was 11.2%.
- The average NT business entries for 2009-10 to 2012-13 was 2,213.

D. Insolvency and Bankruptcy:

- The Australian Securities and Investment Commission reports that 40 companies entered external administration in the NT in 2012-13. This is relatively small compared to 10,746 nationally.

- Australian Financial Security Authority (formerly Insolvency and Trustee Services Australia) reported 31 personal business-related bankruptcies for the NT in 2012-13. Nationally, the number was 5,454 in the same period.
- The main reasons for bankruptcies, as stated by the bankrupt, include economic conditions, personal reasons including ill health, lack of business ability, excessive drawings, lack of capital, excessive interest, inability to collect debts, failure to keep proper books, seasonal conditions, and gambling or speculation.

E. General:

- The net change in the number of businesses (i.e. entries minus exits) was negative for all Australian jurisdictions, indicative of general national and global conditions, and the prevailing potential business opportunities.
 - It is important to note that a business exit event does not necessarily equate to a business 'failure'. There may be a number of other reasons why a business exit event has occurred, including events relating to selling a business such as an owner/operator retiring, and events relating to changes in a business' structure such as merger or takeover activities. Such events may result in one or more business exit events occurring, and in some cases, no net loss of businesses.
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