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DEREGULATION

2GB Drive
With Philip Clarke
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SUBJECTS: *Economic climate and small business roundtable*

CLARKE: In the last 24 hours alone we've seen thousands of jobs lost as the reality of the global downturn and global recession starts to bite here. Julia Gillard warned yesterday, after Pacific Brands announced they are shedding more than 1850 jobs, that we are going to experience more days like this. Today we saw Lend Lease axe 1700 jobs worldwide including 340 in Australia and share values and profits are sliding. Big businesses are off-loading people but you wonder how far they've got to go.

Ensuring that small business has a flow of credit is, what I would have thought, vital. They are the engine of job growth anyway so I thought we'd have a chat to Federal Small Business Minister Craig Emerson. He's on the line, Mr Emerson good evening to you.

EMERSON: Hi Philip.

CLARKE: Very disturbing times. Small business is the engine room of economic growth and they're the canary in the mine as it were so when things start to pick up it will be small business taking it up first won't it?

EMERSON: Yes I think that is a pretty good description. They're really at the forefront of any economic slowdown and as recovery comes small businesses tend to take on more staff. That's why we need to do everything we can to support the small business community. Basic figures show almost four million Australians are employed in small businesses. We want to stand firmly with the small business community and do everything we can as a small trading nation and one of those things is to work with the banks to ensure there is a reasonable flow of finance to small businesses.

CLARKE: Well exactly. Apart from accelerated depreciation there hasn't been much for small businesses directly. I know the stimulus package will assist a number of small businesses, undoubtedly and I'm not denying that but it's the lack of availability of credit and credit restrictions and interest rates which are proving to be a major blockage for large and small businesses?

EMERSON: Yeah. Just quickly and I'm not going to do an advertisement for the stimulus package which may take up too much of your time but we do call this the tradies' package because a lot of our tradespeople are experiencing the effects of the slowdown and they'll be involved with the school work, the road work, the housing works - the big \$42 billion stimulus package, the Nation Building and Jobs Plan. But you're right Philip in that we need to get to the bottom of what seems to be a contradiction between the views of the banks and the views of the small business organisations.

The banks are essentially saying that the money is still available to small businesses. It's not exactly what it was six or 12 months ago but they're still willing to lend and small business organisations are saying well lots of small businesses are going through a very bad experience with the banks. So I thought the smartest thing to do would be to get them altogether in a room in Melbourne....

CLARKE: That's a good thing. I think small business people and Australians in general are looking at banks at the moment, and they're still reporting big profits, they're not exposed to huge amounts of bad or toxic debt here as they are overseas. So in essence they are in a better position in this time of recession and hardship to lend a bigger helping hand than the one they're giving aren't they?

EMERSON: I think that's right and we've been putting that to the banks behind closed doors and in front of doors and where ever we can. The banks themselves are benefiting from the comprehensive Government guarantee and we see they have an obligation to support the small business community in particular. They say they are willing to accept that responsibility.

We now need to get to the bottom of actual stories, actual cases of small businesses in a reasonable industry and shape being denied finance. That's what we're hearing and then the banks say well give us the details. Well what I want to do next Friday is get people together and say let's swap these stories and see if we can come out of that with a better understanding of constraints on the banks but certainly better commitment to maintaining or even improving the availability of finance for small business.

CLARKE: You're a senior member for the Government. What's the advice you're getting about where we're heading over the next 12 months?

EMERSON: Look I'd have to say that what's happening overseas is pretty dramatic. Just recently Japan, which is the second biggest economy in the world, had a cut in the size of its economy of more than three per cent in just three months. Now over a year that would be more than 12 per cent. That's equivalent to losing 12 per cent of the value of your economy in one year and that's the second biggest economy in the world. The United States is looking quite bleak. Europe is looking quite bleak. China's growth is looking to have halved. So the forces that are battering our economy and our small business community are enormous. We'll do everything we can to keep as much of that at bay as possible but we have to accept we are not immune from this. It's so powerful and so large.

CLARKE: Mmmmm. Anyway, I hope something does come out of it because talk fests are all well and good but if financial institutions aren't prepared to roll up their sleeves....

EMERSON: I agree. I don't want posturing Philip. I want people to sit down and have a nuts and bolts discussion and get practical solutions to the problems everyone is facing at the moment.

CLARKE: Okay good to talk to you. Craig Emerson the Federal Small Business Minister.

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