



HON CRAIG EMERSON MP

MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

ABC Radio PM
With Mark Colvin
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SUBJECTS: *Small business roundtable*

Reporter: Simon Lauder

MARK COLVIN: The Federal Minister for Small Business, Craig Emerson is inviting small businesses which feel their bank has unfairly denied them credit to email their complaints to his office.

There have been claims that small businesses are having to jump through too many hoops to get cash-flow and are being charged too much when they get it.

Mr Emerson called a meeting in Melbourne today to let the two sides have a dialogue.

But small business groups left the meeting claiming the big banks still didn't understand their predicament, and many were in danger of failing unless their needs were better taken care of.

Simon Lauder reports.

SIMON LAUDER: There's a saying in the small business world; 'cash flow is king'. So the Minister for Small Business is keen to act on claims that the flow is slowing down and getting weaker.

After a two-and-a-half hour meeting with banks and business groups, Craig Emerson, stood between them to announce that progress has been made.

CRAIG EMERSON: We're all in this together. We're all in this together; the banks, small business and the Government and today we've formed a partnership.

SIMON LAUDER: The definition of risk may have changed radically in the banking world recently, but Greg Evans from the Australian Chamber of

Commerce and Industry thinks banks are putting too high a price on it for small businesses.

Mr Evans says only 60 per cent of the value of recent interest rate cuts has been passed on to small businesses, compared to 90 per cent for larger businesses and home owners.

GREG EVANS: We think the banks need to look more closely at lending provided in those instances, to make a proper assessment of that risk. If there's any small businesses finding it difficult to obtain credit then there's going to be less opportunity for employment and growth in the economy. And that's a concern.

SIMON LAUDER: The executive director of Retailers Association, Richard Evans, is not impressed with what he heard at today's meeting.

RICHARD EVANS: Small business is suffering right now and I think what we need to have is the banks clearly understanding that they've got to work a little bit harder for that sector.

SIMON LAUDER: And what's at stake here; what are the risks?

RICHARD EVANS: Look mums and dads small businesses need help right now. They need some credit as much as they need cash and what we'll see is mum and dad businesses closing up unless they get that support.

SIMON LAUDER: Since the global credit crunch many smaller lenders and foreign banks have withdrawn their services to Australian businesses.

The CEO of the Council of Small Business, Jaye Radisich, says Australia's banks have failed to pick up the slack and don't even seem to realise.

Ms Radisich says there's a gulf between what banks think is going on and reality.

JAYE RADISICH: Some loans have been called in; some business loan interest rates have been increased. There's a whole range of real-life examples throughout industry; everything from newsagents through to the confectionery, automotive parts, real estate; the whole gamut of small business.

SIMON LAUDER: The big four banks were represented at the meeting, and afterwards the talking was left to the head of the Australian Bankers' Association, David Bell.

Mr Bell says banks will maintain the level of funds available for small businesses. And cuts to interest rates will be passed on, as much as possible.

He says loan assessments are taking no longer than they used to and the loans are at a price which covers the risks involved.

DAVID BELL: It's very important that banks lend on the basis of risk. One of the reasons Australia has "the" stand out banking sector in the world in terms of strength and security; you compare us to the UK, you compare us to America, is because we have lent on the basis of risk.

So we are required by a prudential regulator to make proper risk assessments and make those loans according to the risk.

SIMON LAUDER: Are those assessments taking longer and have they more criteria in the last few months?

DAVID BELL: No, those assessments have always been in place. We have a very strong prudential regulator. They require us to make proper assessments of risk and we lend on the basis of risk. If we didn't do that, we'd end up in the same situation as America and Britain.

SIMON LAUDER: The Minister for Small Business, Craig Emerson, says today was about building bridges between the banking sector and the small business sector. One of those bridges will go straight through his office.

CRAIG EMERSON: Our office, that is my office, will become a clearing house for small businesses who feel that perhaps they have been hard done by. We are encouraging small businesses in those circumstances, through the Council of Small Business of Australia and any other business associations, or even off their own bat, to email our office.

MARK COLVIN: The Minister for Small Business, Craig Emerson, ending that report from Simon Lauder.

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