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SKY NEWS AM AGENDA

Interview with Ashleigh Gillon

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SUBJECTS: Infrastructure spending; small business PAYG reduction.

GILLON: Welcome to AM Agenda. Well the Government's next move in its fight against the financial crisis will be to announce a boost in infrastructure spending. Today we've also heard about tax breaks for small business. To tell us more I am joined by Small Business Minister Craig Emerson. Thanks for your time Minister.

EMERSON: Pleasure.

GILLON: Before we get into these tax breaks for small business I just want to touch on this impending announcement today of infrastructure spending. Sky News understands that this will involve a major spending package to provide incentives for businesses to boost investment in infrastructure. How crucial is it to get these projects up and running sooner rather than later?

EMERSON: It's really important wherever we can to bring infrastructure spending forward. Kevin Rudd has already said a little while ago that that's an important part of our overall economic strategy to help navigate the Australian economy through the turbulence created by the global financial crisis. So, \$10.4 billion Economic Security Strategy, that money is flowing right now and I can report in my own area, in my own electorate, that people are spending it. They are queuing up at the bank counters and getting cash out so that's a good stimulus. Big reductions in the Reserve Bank interest rates, more than two percentage points. And the local council money that was announced recently and now bringing forward infrastructure spending where we responsibly can - all part of that overall economic stimulus that's needed to help us get through the economic times that confront us.

GILLON: Well, with the budget looking more and more like it may punch into the red next year I guess it's really important to bring in big business on this and provide incentives to them to boost.

EMERSON: Incentives are important, that's right, and so is confidence. You would be aware of various surveys that have shown business confidence and consumer confidence falling away. Now there is a bit of a kick up in that and if businesses and consumers are confident, I am confident too that we can navigate our way through the turbulence created by the crisis. So it's important for investment but it's important for confidence too. The private sector knows that the Rudd Government is doing everything it possibly can to support business large and small.

GILLON: So this really is the next big plank isn't it?

EMERSON: It is and we will keep things under review. I think we can say legitimately that we have acted early, we have acted decisively, not waiting for things to unfold. One consequence of that appears to be that we are still growing as an economy, small, low growth that's true, but it beats the hell out of the recession that is being experienced in the United States and Europe.

GILLON: Looking at these tax breaks for small business, I understand businesses can now defer some of these pay-as-you-go instalments until later in the year?

EMERSON: Yeah. They pay income tax in instalments, that is every quarter, every three months, and for the quarter that would really be payable in very early March instead of paying the full amount they would be paying 80 per cent of it so they get this sort of 20 per cent cash flow boost. Cash flow is king for small businesses. It is important for them to maintain their viability and also equally important for them to be able to retain their staff. Again, the small business community will know that the Rudd Government is in there supporting them at a time, when you think about it, after Christmas spending, after the Boxing Day sales people are paying off their credit cards, maybe not spending so much in February, March. This would be a really welcome boost to the cash flow of small businesses and, again, to small business confidence.

GILLON: Is this measure also a sign that the Government is expecting things to get much worse in the coming months?

EMERSON: Well we don't have a crystal ball, but what it is a sign of is that we are prepared to act early and act decisively rather than wait for these things to unfold. You see Ashleigh if you wait for it all to happen then you are playing catch up and then you are trying to restore business confidence. Let's keep the show going. Let's work in partnership with the business community of Australia and maintain confidence at the highest possible level while acknowledging that the global financial crisis is pretty severe. As I said the United States, Europe, parts of Asia look like going into recession. We have managed to avoid that now and that's what we want to do, that's what we want to continue to do.

GILLON: Well small business in this country is a real driver of employment.

EMERSON: Yeah, absolutely.

GILLON: Yesterday we saw the unemployment rate rise from 4.3 to 4.4 per cent. That was welcomed by both sides of politics as a lot of analysts were expecting worse.

EMERSON: It was a small rise only, but we take nothing for granted. It doesn't mean that everything is plain sailing from here. We have got to navigate our way through the rocky shoals. I think we can do that. But the boost we are talking about is \$440 million, boost to the cash flow of small businesses at a time when they will really need that and want that I would expect. So it is all designed, as I say, to keep businesses viable, keep them confident, keep them employing.

GILLON: You mentioned the cash handouts have been flowing out this week. How long do you think, what time line are we looking at in terms of seeing what impact that has had on the economy and when the Government might start looking at a second stimulus package?

EMERSON: Well we just keep everything under review. It's not as if we are stop, starting, you know we are constantly monitoring the situation as best as we possible can. The anecdotal evidence - and I won't put it any higher than that - is positive. I know my own local shopping centre, and I know we can't develop the national accounts out of my shopping centre, but they're spending. You know that is a welcome boost. So we will keep things constantly under review but, by bringing forward that infrastructure spending in a responsible way we are not only stimulating the economy Ashleigh but we are helping deal with an infrastructure backlog. I don't want to make strong political points here but there was very little Commonwealth infrastructure spending over the last ten years. We are clearly the party of nation building. We are happy to build the nation through good infrastructure investment based on good advice and that's what we're doing.

GILLON: And we should get a bit more of an idea of that priority list today I guess.

EMERSON: Well I can't foretell and say on your program exactly what is going to happen but we certainly are bringing forward infrastructure spending in a responsible way.

GILLON: It was worth a try anyway. Craig Emerson thanks for your time.

EMERSON: Okay thanks Ashleigh.

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