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Interview with Deborah Cameron  
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**SUBJECTS:** Impact of credit crisis on small business

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CAMERON: Some of the biggest names in international business and banking dealing with a stormy present and rocky and unpredictable future. With all of their weight and networks and lobbying power and importance, they've been rescued but a global downturn in economic growth is inevitable. Australian growth rates are forecast to dip below 3 per cent and the US will be lucky if it holds on to the status quo. So put yourself in the shoes of a small business owner. You have none of the firepower of big business. You rely on domestic demand for survival mainly and you're facing the biggest credit squeeze in perhaps 50 years. So you look to the Government and what do you see? A huge effort at the big end of town. Craig Emerson is the Federal Minister for Small Business and he's my guest this morning. Thank you for coming in.

EMERSON: My pleasure and congratulations on your program. It's going very, very well.

CAMERON: That's the best way to get on the right side of the presenter! The first, first of all though, Minister, the Government position on guaranteeing bank deposits. This is a very big concern I imagine to small business people. They must see these events happening and wonder what will happen to their money in their banks. What can you tell them today?

EMERSON: Well Kevin Rudd made a statement this morning, in fact on ABC radio, outlining a proposal there but it's in this context, Deborah, and that is that our banks are some of the most highly rated banks in the world. That is, and I understand why people say 'gee banks are so profitable here in Australia', but if ever you actually needed a time for the big banks to be profitable, it's during this global financial crisis. So they do have a lot of cash. They rate very highly. A report was released just yesterday and we're right up there in the top three or four countries in the world in terms of our banking

system. We've got good regulatory oversight and our regulators continually report to us that our banking system is in very, very good shape. So, this is a great time to have strong banks.

CAMERON: The relationship between small business and their bankers is crucial and cash is tight right now. How much capacity do you think small business has, in Australia, to weather this global economic strife.

EMERSON: I think that we are obviously in rocky, choppy waters if you like, but our small businesses have shown enormous resilience and great competitiveness so I think, although the waters will be choppy, we'll be able to ride through this because of the strength of our business community including, and especially, our small business community. I spoke to some of the financiers just yesterday about access to credit and they are essentially saying, and this is a broad overview, that for those small businesses that are already borrowing, have lines of credit or overdraft, well that will continue but if there are big new proposals for expansions or refits or so on, then the banks will look at that maybe a bit more carefully than they would have before this financial crisis hit globally. So the funds are continuing to flow. There's some areas that are really feeling the squeeze. Owner-drivers, long distance drivers of trucks, they are really getting hit by high fuel prices and then by the overall economic situation. So there's a pretty sad story there, but by and large our small businesses seem to be going ok at this stage.

CAMERON: You can't disconnect though from the domestic economic outlook. Obviously there's talk about a dip in growth in Australia. Mostly small businesses are looking at domestic markets. There's a tightening of consumer spending. The banks, everybody, are basically warning people against being heavily indebted and everyone is, I think, trying to pay off their credit card. Trying to pay back their loans. That means not spending.

EMERSON: There is an economic slowdown. It was actually forecast at the time of the budget before the full impact of the global financial crisis hit so there is an economic slowdown but, as I say, I think our small businesses are quite well positioned. I don't want to put on rose coloured glasses here and say everything's fine. It's not all fine but crucially, in terms of access to finance, our sound small businesses are still doing ok. We'll just have to see how it pans out Deborah in the coming months but the International Monetary Fund produced forecasts for different economies around the world again just yesterday and they forecast that the big economies of the western world are either going to be at or in, close to or in recession. In Australia we are expected to have growth with a 2 in front of it. Now that's not as strong as in the past, but it's a hell of a lot better than the position that other countries find themselves in.

CAMERON: In a time of rapidly changing economic positions though, small businesses might face quite fast contraction of orders. Now they need to be able to reduce staff, for example, if they can see fewer orders coming in. What are the laws around dismissal? Everything is changing. What is the

Government actually doing around the laws about dismissal involving small business?

EMERSON: When the dismissal involves redundancy, and that's what you're referring to, laying off staff because the business is just not there, then that's not affected by unfair dismissal laws at all. So Labor's policy of having, you know, a modern, simple of being able to dismiss staff also includes the fact that if your laying off staff because of economic circumstances, no claim for unfair dismissal can be made. So it's completely unaffected.

CAMERON: An interesting question's come in from Frank, a listener, who says that there's a problem with small business getting access to working capital and what can be done to get the banks to release credit and capital to businesses. Now, you've talked about where you've got a great big economic plan, but what about just paying the payroll.

EMERSON: Sure, if the access, if there is already access to working capital, this is the advice I was given yesterday, that is, you've got a relationship with the bank, then it is likely that that money will continue to flow. The situation of getting new money of a, for example, a small business saying well I need some new working capital that I didn't need before, I accept, on the advice of the people who I spoke to yesterday, that will be harder. What they'll be looking for is the assets behind the small business. So I would, I'm sure your listener's already done this, but go and have a talk to the bank. Put your case forward as to what assets you have to back that up. The difference I think, Deborah, is that in the past banks were lending, in some circumstances, on what's called low-doc loans. That is, look if you need the money we've got the money, here it is. They're now going to be asking more questions. But the people who I spoke to yesterday, which included two of the big four banks, said we're not saying that we won't lend new money, but we will look at it more carefully than what we might have done six months ago.

CAMERON: With me this morning is Craig Emerson. He's the Federal Minister for Small Business. Maternity leave is something that's very, shot to prominence really in the past couple of months. The Productivity Commission Report said that, or made a recommendation for it's introduction and the Government seems to be taking it up. Now, there was a cloud, however, over the pension payment. The idea that pension payments might be put off a little. Is there now, in the light of this economic downturn and trouble with the Budget, that something as big as maternity leave might be put on the backburner?

EMERSON: Well, we'll just firstly get our timing in perspective. The Productivity Commission's produced a draft report. It will produce it's final report in February of next year and we will then have a look at that final report and I would encourage everyone who has an interest in this issue, including businesses, to make a submission in this process now, between the draft report and the final report. So the timing of it will be determined by the overall budgetary circumstances. That's a point that's already been made by our economic, some of our economic Ministers. If I could say this about maternity

leave, though, we are very committed to ensure the minimal possible burden on small business but the biggest beneficiaries of paid maternity leave, apart from the mums themselves, will be small businesses because a lot of the larger businesses are already doing it. So it's the smaller businesses that haven't been able to do it and it will be funded, overwhelmingly, by the taxpayer. Now the proposal in the Productivity Commission Report is that the nine per cent superannuation guarantee be provided by the small business but, overwhelmingly under the Productivity Commission proposal, it would be funded by taxpayers so the beneficiaries are the mothers themselves and the small business where the mother would retain an attachment to that business.

CAMERON: And yet small business says that it's an unfair burden on them because they are going to have to fund the payment of the maternity leave and then redeem it from the Government by a mechanism that you'll set up. I guess, rather similar to the refunding of GST or whatever it might be. Isn't that a burden on small business that they are complaining about?

EMERSON: It does have one advantage and that is to retain the attachment to that business. You see if the Government did that then the mother could well say well, I've got not relationship any more with that business. However, I'll make the more important point and this is a draft report and we have not said that we are committed 100 per cent to every detail in this draft report. There's a very good reason for it being a draft report. This is a great time for businesses, including small businesses and other people, to make comments on it so that when we do contemplate the final Productivity Commission Report we'll have the benefit of all that advice.

CAMERON: Do you detect, as Small Business Minister, reluctance among small business people to employ women who might be in danger of actually having a baby?

EMERSON: No I don't and the reason I say that is there have been acute shortages of labour, skilled and unskilled, in this country. Ask anyone in the restaurant and café industry for example, but the examples are just numerous. So businesses have been trying to attract staff and through the taxpayer payment of paid maternity leave, I think this will help in businesses retaining mothers who have a baby but who have an intention to come back into the workforce. So overall, it may not seem that way at this stage, it will be to the benefit of small businesses.

CAMERON: And one last question, this one's coming from Leo who asks about redundancy packages for small business. Now, when you've looked at the figures that you've got access to and you can see the impact on employment of lower economic performance of Australia, what will be, do you think estimate, the flow on affect to employment amongst small businesses in Australia.

EMERSON: Well I don't have a whole lot of figures in front of me. These are quite new times given, you know, the repudiative change overseas in terms of the global financial situation. There were new employment figures out

yesterday. The unemployment rate went up just ever so slightly and there were a small number of extra jobs created. Now the question is, can we ride through this without further job losses? We'll have to see how we go there but, as I say, and it is of some comfort, I think, to businesses that we are better places, our country, because of the strength of our business community. It's better placed than any country anywhere else on earth to ride this though and I have confidence in the competitiveness and the guile and the creativity and the doggedness of Australian small businesses to do our very best in tough economic times.

CAMERON: Craig Emerson, thank you very much for your time this morning.

EMERSON: Thanks for having me.

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