

***GOVERNMENT AND BUSINESS: PARTNERS AGAINST THE  
GLOBAL RECESSION***

**ADDRESS TO THE PENRITH CITY AND DISTRICT BUSINESS  
ADVISORY CENTRE**

**PENRITH PACEWAY FUNCTION CENTRE**

**1 OCTOBER 2009**

**Introduction**

Good afternoon and thank you to the Penrith City and District Business Advisory Centre for inviting me to speak today.

I would first like to acknowledge your local Federal MP, David Bradbury. David, as the Member for Lindsay, is an unstoppable advocate down in Canberra for your local community and your local business interests.

I would also acknowledge the presence of my Senate colleague Senator Marise Payne, Senator for NSW, the State Member for Penrith, Karyn Paluzzano, the State Member for Hawkesbury, Ray Williams and the Deputy Mayor of Penrith City Council, Councillor Ross Fowler.

Now, I would like to first take the opportunity to acknowledge the important role the Penrith City and District Business Advisory Centre plays in the local community.

Judging not only by the sheer number of people you have in attendance today, but more importantly by your record of achievement, you form the core of the local business community.

You play a pivotal role in representing and providing advice and assistance to business, particularly small businesses and, as we in this room all know - it's been quite a year.

This is your 21st year of operation, having formed back in 1988 as a collective effort of the Penrith Rotary Club, local businesses and the Penrith City Council.

You've gone on to grow, both in size and in the number of services you provide.

I should point out that you do this work with the support of several key business sponsors and they should be acknowledged - the Western Weekender, Vintage FM, the NSW Department of State and Regional Development, the Penrith Press and Cool Country 2KA, should all be

congratulated for their "Executive Level" support, as should the range of "Corporate Level" supporters.

As David has often said to me, while local big employers are critical to the community here, the backbone of Penrith commerce is its small businesses and it's an honour to be here addressing you today.

The Rudd Government, through local MPs like David Bradbury, understand that while the global recession has been washing around the world economy, changing the international picture irrevocably, the impacts can be felt very much at the local level.

So today what I wanted to do was first speak about that global recession and update you on the pressures the national economy faces, but then talk about what we are doing across Western Sydney and right here in Penrith.

## **The Global Recession and its impact on Australia**

As you will be aware, Prime Minister Kevin Rudd returned from the G20 Leaders Summit in Pittsburgh in the United States earlier this week - having played a leading role in its historic outcomes.

Pittsburgh confirmed the G20 as the new global economic decision-maker, overtaking the G8 as the world's truly representative economic forum.

Australia is now an integral part of that global process with a seat at the table for the first time.

As you may also know Australia is the only major advanced economy not to have gone into recession.

Australia now has the strongest economic growth of the world's 33 advanced economies and is the only one to have recorded positive growth through the year to June.

Australia's economy grew by 0.6 per cent in the June quarter and we can certainly say that as a national economy, Australia is better placed than most other nations.

This is the result of the resilience and hard work of the Australian people and Australian businesses, combined with the early, targeted and decisive action the Rudd Government took to support the economy.

Australian employees and employers working together have contributed significantly to the better than expected GDP growth and national unemployment outcome.

At 5.8 per cent nationally, unemployment in Australia is the second lowest of the major advanced economies and considerably below the OECD average of 8.5 per cent.

Despite this we still face a considerable unemployment challenge in period ahead.

Business has played an important role in cushioning the personal impacts of the downturn, with small businesses cutting back work hours instead of laying off workers.

People such as you in this room today have done the right thing and kept faith with your workforce and they have reacted in kind.

And the Government has also stepped in where the private sector has withdrawn.

The design of the Rudd Government's fiscal stimulus strategy has also been crucial - providing maximum support when the economy would otherwise have been at its weakest.

The Government's economic stimulus was designed to help fill the breach left by the rapid withdrawal of private activity as the crisis hit our economy.

Treasury estimates this structured stimulus package prevented three consecutive quarters of negative GDP growth, which would have shrunk the economy by 1.3 per cent over the year to June.

The first phase of fiscal stimulus involved targeted one-off cash transfers to predominantly low and middle-income households.

The effect was very important, with retail turnover levels increasing substantially. They remain 5.8 per cent higher than their pre-stimulus levels of November last year, after a largely flat 2008.

Consumer confidence is now around 40 per cent higher than pre-stimulus levels - giving small businesses reason to hope about their future economic prospects.

The second phase of the package includes an investment of around \$30 billion in 'shovel-ready' infrastructure projects nation-wide.

This phase of stimulus spending on investments in schools, housing, energy efficiency, roads, community infrastructure and support to small businesses adds directly to growth and helps support business, while providing lasting benefits for the future.

I will come back to how this phase has impacted on your local area a little later.

Finally, the third phase of the stimulus packages allows substantial longer-term investment in major productivity boosting projects including rail and road infrastructure.

Throughout this, we have been utilising the taxation system to give business a leg-up such as through the Government's Small Business and General Business Tax Breaks.

Total new business investment grew by 2 per cent in the June quarter.

Treasury estimates that business investment would have fallen in the most recent national account figures if not for the impact of the Tax Breaks initiative.

This week, the Treasurer, Wayne Swan, was able to report a stronger than expected final Budget outcome for 2008-09 of an underlying cash deficit of \$27.1 billion - that's \$5 billion better than expected at the time of the 2009-10 Budget.

But as the Treasurer said:

*"The stronger than expected final budget outcome does not substantially diminish the fiscal challenge imposed on Australia by the global recession."*

This brings me to the size of the stimulus package. I am sure you've heard some of the calls to bring an end to the stimulus.

The size of the stimulus package directly reflects the magnitude of the deterioration in the global economy and, as members of a local business advisory group, you know exactly how acute that deterioration has been.

You've seen it here in Penrith and across the electorate of Lindsay.

There is simply no two ways about it - pulling the stimulus out prematurely would threaten our economy, stall the recovery and result in higher unemployment, across Australia and right here in Penrith.

Hard-working local MPs such as David keep emphasising this message in Canberra - local businesses and local jobs here in Penrith and the region are too important to put at risk.

I wish to confirm for you that they remain the number one priority of this Government.

## Action for Penrith and Western Sydney

As I travel around Australia, I have often reminded people that Greater Western Sydney is the third largest regional economy in Australia, behind only your nearby compatriots in the Sydney CBD and the South-Eastern Queenslanders.

Yearly gross regional product is estimated at \$80 billion.

Major industry sectors include manufacturing, property and business services, finance and insurance, construction and wholesale trade.

And the local region is home to about 242,000 businesses, mainly concentrated in these sectors.

The Rudd Government recognises the importance of ensuring long-term economic prosperity in Western Sydney and will continue to work with local businesses in order to achieve this.

As I've mentioned, the Government acted quickly to cushion Australian businesses and households from the worst of the downturn. This economic support was implemented locally to provide immediate support to growth and jobs, while laying the foundations to take advantage of the future economic recovery.

The economic stimulus plan has so far delivered over \$111 million for educational infrastructure alone in your local area.

As part of "Building the Education Revolution," more than \$101 million has been allocated for the development of infrastructure for 45 primary schools in the electorate of Lindsay.

David has told me about one contractor, David Fodor from Stylemaster Patios, who wrote to him to say his company had been awarded 17 contracts under the BER - this is a real outcome, locally here in the community, exactly the outcome intended by the program.

As well as providing a boost to infrastructure now, this educational investment is vital in ensuring that business can attract and retain a highly skilled workforce in the future.

An active workforce is essential for growth.

The Government will not stop working with local businesses to ensure that Australians remain employed and that businesses will have access to a highly skilled labour force.

Despite Australia's substantial achievement to be the only advanced economy with positive GDP, our 0.6 per cent growth is not enough to prevent unemployment rising.

The local projects funded by the stimulus strategy must continue to support economic activity and to prevent the task of employment growth being even harder when the recovery comes.

And there are other major investments flowing directly to the Penrith and region communities.

Over \$113 million has been allocated for the expansion and redevelopment of Nepean Hospital.

While the project will dramatically improve access to health services for local residents, the local economy will be boosted through the creation of jobs in the construction industry.

Medical students, clinicians and researchers also stand to benefit through improved training and facilities.

The electorate of Lindsay has also benefited under the Rudd Government's dramatically enhanced social housing funding.

\$3.6 million is being spent on the construction of new social housing, as well as the repairs and maintenance of another 583 social housing units.

The construction associated with these developments is employing 44 TAFE-based pre-apprentices.

And roads are getting a massive fillip.

The Government is investing over \$17 billion on the national road network, with several projects servicing Western Sydney. Included are over \$1 billion in upgrades to the Great Western Highway, the F5, the M4 and the Moorebank intermodal terminal.

Over \$1.6 million has also been allocated locally for the black spot program. The Government cares about the safety of motorists on Western Sydney roads.

There is also the small business tax break, which is providing \$3.7 billion in tax relief to businesses nationwide over the next four years.

The tax break is helping Australian businesses continue to invest, bolstering economic activity and supporting Australian jobs.

It's proving its worth locally and it's doing so right now, when it's needed most.

David has told me of some of the real people in your area who are already seeing the benefits.

People such as Jim Kalamiotis from Penrith Mazda. They've sold more than 70 light commercial vehicles since the introduction of the Small Business Tax Break. Demand is so strong, he's now faced with the challenge of getting his hands on new stock - not a bad problem compared to the alternative of being unable to move the stock in the lot.

People like Lourdes Sta Barbara, Finance Manager with SBC Foods. This local specialty food supplier has bought a new \$80,000 delivery van. She says:

*"This is the most important part of the stimulus package for me, because it will create jobs. Combined with the PAYG discount, it will help to boost our cash flow and put money back into our working capital."*

Improving efficiency and lowering costs are vital in ensuring that businesses continue to be attracted to the area. Infrastructure improvements will be fundamental in ensuring that Western Sydney continues to grow and prosper.

The Government has committed up to \$43 billion in the production of the National Broadband Network, enabling businesses to communicate more effectively in a competitive environment.

As part of the Government's stimulus plan, the Regional and Local Community Infrastructure Program is investing over \$1 billion, through local government, into local communities.

Over \$7.4 million has been allocated to Penrith City Council for various community infrastructure projects, including upgrading the community centre, parks and playgrounds. A further \$10 million is set to be allocated to the Penrith City Council this financial year to improve local roads, provide libraries, sports grounds, swimming pools and community centres.

We don't have to go far to find good examples of this local infrastructure spending. My colleague Anthony Albanese, Minister for Infrastructure and David Bradbury, inform me that a number of projects have already been completed in Penrith.

These include \$150,000 for major improvements to the Penrith Swim Centre, including the provision of disabled access. There is also new playground equipment at Sales Park and Adelaide Street Reserve, and

refurbishments to the Yoorami Children's Centre and the Strauss Road Children's Centre, funded through the RLCIP.

In addition to the local infrastructure stimulus spending, we are also directly supporting the local government sector, both for the jobs it generates and the vital community services it provides.

As the Penrith City Council representatives and management here today would be aware, in 2009-10 we will pay local governments \$1.92 billion in Financial Assistance Grants, untied so they can be spent according to local needs and priorities. We also brought \$380 million of this forward to June (in the 2008-09 financial year) to help councils with cash flow in an environment of lower local government revenue across the board.

Financial Assistance Grants have and will continue to support local government expenditure and infrastructure in local communities.

## **Conclusion**

In summary, fiscal and monetary policy responses to date have served to support the Australian economy in the face of considerable global challenges.

Businesses in Australia — especially small businesses — are the engine of the Australian economy and deserve direct support during a global recession.

By increasing business confidence and encouraging business investment, the collection of stimulus measures has provided an important short-term boost to the Australian economy in the face of the global financial crisis.

This is why we continue to say that the impact of stimulus is greater than the sum of its parts.

While the cash payments have been important, as has infrastructure investment and monetary policy, the combination of these factors has generated confidence in the face of the global downturn, the effect of which shouldn't be underestimated.

Government will continue to work constructively with business to ensure that the best possible outcomes are achieved for Penrith and the whole of Western Sydney going forward.

I wish to again thank the Penrith City and District Business Advisory Centre for the invitation to speak today.