

# SPEECH TO THE SMALL BUSINESS FORUM

## HOBART, TASMANIA

21 NOVEMBER 2009

Thank you, for having me here today. Thank you for all coming along and a special thank you to you Scott.

Scott Bacon, as I am sure most of you know, comes from a family committed to the very best for Tasmania and Tasmanians, and he is continuing that heritage by running for the seat of Denison at the upcoming State election.

I've known Scott for a long time and in that time he has shown me again and again, just why he will be a great voice for this community – and that includes a great voice for small business in this community.

Indeed that is exactly why Scott organised today's event and when Scott called me and asked me to come down, I didn't hesitate.

That's because it's critically important for small business operators to get the very latest news on our economy – you are its backbone after all.

So today I would like to talk to you about the current economic and financial issues facing Australia.

As you all know, it's been quite a year.

### **Importance of small businesses to the economy**

The Rudd Government knows just how important small businesses are to national prosperity and to supporting jobs.

The facts speak for themselves:

- There are approximately **1.93 million** active small businesses in Australia.
- They represent **96 per cent** of all businesses.
- Small businesses employ over **5 million people**, accounting for around **51 per cent of private sector employment**.
- Small businesses contribute **over one third** of Australia's total GDP.

The Government appreciates many businesses have been affected by the global financial crisis and that small businesses are often the first to feel the effects of an economic downturn.

The Government understands that despite the current economic difficulties, small business owners take a risk in going out on their own and work hard to achieve commercial success.

This is why the Government is committed to supporting Australia's small businesses through the global economic crisis.

So today I wanted to first speak about the global recession and how the Government's Stimulus package has cushioned Australian communities from the worst of its impact.

I would then like to outline the critical partnership between the Government and the business community in contributing to the economic recovery.

### **The global recession and its impact on Australia**

The global economy is emerging from the worst synchronised downturn in over 75 years.

The recovery has been fuelled by an unprecedented amount of macroeconomic stimulus and financial sector support.

Global confidence is also improving and we are starting to see an improvement in production and trade.

Australia has emerged ahead of the pack - of the 33 advanced economies, Australia was the only one to have a larger economy in June than it did at the same time last year.

In contrast, all the major advanced economies have been dragged into recession due to the crisis.

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 Government took to support the economy.

The OECD Economic Outlook released late this week provides further evidence that Australia is outperforming the rest of the advanced world, with stronger growth, lower debt and lower deficits than the major advanced economies.

However, it clearly cautions that the recovery is likely to be modest, with the global economy held back by substantial headwinds.

The OECD expects unemployment in Australia to peak at 6.3 per cent in 2010 - far lower than the forecast OECD average peak of 9.1 per cent.

Currently 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 8.6 per cent. In Tasmania, as of October, the unemployment rate stands at 5.4 per cent, which is 0.4 of a percentage point lower than the national average.

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.

Tasmania has come a long way in a short time, improving its employment record remarkably in the past decade, to have the lowest jobless rate of any state.

In fact, the CommSec Economics Report last month showed Tasmania has the best performing economy in Australia on a state-by-state analysis, when judged across eight key indicators.

### **How stimulus has worked for Australia and Tasmania**

The design of the Rudd Government's fiscal stimulus strategy has also been crucial in Australian and Tasmanian performance during the global recession - providing maximum support when the economy would otherwise have been at its weakest.

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

In total, 202,000 Tax Bonus Payments have been made to Tasmanian taxpayers, with a total value of around \$179 million. When combined with the additional \$341 million in cash payments provided under the Economic Security Strategy and Nation Building and Jobs Plan Packages, this represents immediate support of over half a billion dollars for the Tasmanian economy.

In Tasmania, retail turnover jumped in December last year, when the first payments to households were made. Turnover remains 5.4 per cent higher than before the announcement of stimulus in October last year.

The second phase of the package included 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 has added directly to growth and helped 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 Break.

## **Australian Government infrastructure initiatives in Tasmania**

Earlier, I mentioned how Tasmania is gaining significantly from the second phase of the Government's stimulus strategy.

The Australian Government is investing around \$30 billion nationally in a range of infrastructure projects which will be of particular benefit to the small business sector.

The Nation Building Program earmarks \$797 million over six years for road and rail projects in Tasmania, including the Kingston Bypass and Illawarra Link Road upgrade road projects, and \$61 million for upgrades to the Tasmanian freight rail system.

In addition, projects such as the Midland Highway Safety Upgrade and East Tamar Highway Upgrade are expected to be completed by the end of 2009-10.

We will provide \$42.7 million to maintain and upgrade local roads in Tasmania. Much of this funding will be paid to the State's 29 councils.

As well as putting in place critical infrastructure vital for Tasmania and Australia's long-term productivity and growth, the Government's infrastructure investment program is supporting employment and providing immediate stimulus to local economies.

## **Education infrastructure**

The largest element of the Nation Building and Jobs Plan announced in February this year is the Building the Education Revolution (BER) program.

As at 30 September, in Tasmania, there are 599 approved projects totalling more than \$439 million in 272 schools. More than 470 projects are already underway, supporting local business and jobs.

The Government is also investing in the skills and training of Tasmania's workforce by providing \$17 million in funding for Vocational Education and Training facilities under the Teaching and Learning Capital Fund.

### **Health infrastructure**

From the Health and Hospitals Fund, a total of \$85.2 million over six years has been allocated for health and hospital infrastructure projects in Tasmania.

And in the Hobart region, the Government is providing up to \$8 million for two GP Super Clinic sites on Hobart's Eastern Shores.

### **Supporting local communities**

Tasmanian councils will receive record funding to invest in local community infrastructure such as upgrades to the Glenorchy Skate Park and the Lenah Valley Community Hall right here in Hobart.

Further construction stimulus will be provided through \$125 million allocated to build 512 new social housing dwellings in Tasmania.

The Government also established a Jobs Fund to facilitate projects to improve community infrastructure, create immediate jobs and build a skills base for the recovery.

The Jobs Fund has recently approved nine projects in Northern and Western Tasmania, worth more than \$5.2 million in total.

The Government is progressively appointing Local Employment Coordinators in priority employment areas across Australia to support the hardest hit communities.

The Government was pleased to appoint Mr Geoff Speers as the Local Employment Coordinator for North and North Western Tasmania in June this year.

### **Telecommunications and the National Broadband Network**

Tasmania is at the centre of the single largest nation-building infrastructure project in Australian history - the National Broadband Network (NBN).

As you know, the roll-out of the NBN has started right here in Tasmania. Tasmanians are among the first beneficiaries of local jobs created as a result of the project.

In the longer term, this infrastructure will deliver significant social benefits to the Tasmanian community and foster the creation of many new generation industries and new generation 'clever' jobs.

In particular, small businesses in Tasmania will benefit from super- fast and affordable broadband. Complementing super-fast broadband, the Government will provide \$10 million over two years to help small businesses improve their online capabilities.

Eligible organisations will receive grants to equip small businesses to get online and improve their e-commerce facilities. This will enable them to take up opportunities from the digital economy.

But the Government's support for Small Businesses certainly does not end there.

### **Small Business Support Line and other assistance measures**

The Small Business Support Line, launched by the Government in September, provides initial advice to small business owners and also puts them in touch with specialist advisers on matters such as obtaining finance, cash flow management, retail leasing, diagnostic services, promotion and marketing advice, and personal stress or hardship counselling.

The Support Line is staffed by advisers with business experience and strong customer service skills. They have also been trained by 'beyondblue' to help callers who may be suffering from depression or personal issues associated with running a small business.

In little more than two months, Support Line had received 3,928 calls and 482 emails.

In Tasmania, the Support Line has received 54 calls, with the most common issues raised, relating to government initiatives, grants and assistance, starting a business, and registration and licences.

Integrated into the support line will be the credit complaints clearing house, established by the Government to receive complaints about access to and the cost of bank finance.

The Government understands it is important that small businesses continue to have access to credit to ensure a sustained recovery from the global economic crisis.

### **The importance of a Government/business partnership**

Finally, I would like to turn to the importance of continuing the partnership between Government and business.

This partnership ensured the Australian and Tasmanian economies remained resilient in the face of a global downturn not of our making.

Businesses — especially small businesses — are the engine of the Australian economy and deserve support.

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.

The effect of business and consumer confidence on real economic activity cannot be over-stated.

You've seen it at work here in Hobart, across the electorate of Denison and the great state of Tasmania.

According to the most recent Sensis report on small and medium business, Tasmania has the equal highest business confidence of all the states and territories in Australia, recording the highest expectations in the coming quarter for sales and profitability.

The Australian Government will continue to work constructively with business to ensure that the best possible outcomes are achieved for Hobart and the whole of Tasmania going forward.

Thank you.