

# Prime Minister of Australia

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Media Release

## **Building Australia's future - a \$4 billion Australian Business Investment Partnership to support Australian jobs**

24 January 2009

To help support Australian jobs the Rudd Government will establish a \$4 billion Australian Business Investment Partnership.

This \$4 billion Partnership is a temporary contingency measure to provide liquidity support to viable major commercial property projects in Australia.

The Partnership will support the commercial property assets of viable Australian businesses which, without financing, would be forced to retrench thousands of employees.

Commercial property projects that could be supported by this initiative include shopping centres, office towers and factories under construction, as well as existing properties of that nature.

The commercial property sector employs about 150,000 people in Australia.

Many of the 150,000 workers employed in the commercial property sector are tradespeople, such as plumbers, electricians and carpenters.

Without action, a combination of weak demand and tight credit conditions could see up to 50,000 people in this sector lose their jobs, according to Treasury, with flow-on effects to jobs in other parts of the economy.

Small and medium size businesses which service the commercial property sector could also be devastated by weak demand and tight credit conditions in the sector.

The Government will not sit idly by and watch these jobs and small and medium size businesses be wiped out by fluctuations in global credit markets.

The Partnership will be structured to minimise the exposure risk to Australian taxpayers. It will not allow the major banks to pass on any underperforming assets to the Australian Government. Safeguards will ensure the banks continue to finance the projects to be supported, and that projects will only be considered where a member of a syndicate has actually decided to exit.

### **Foreign banks in Australia**

Foreign banks play an important role in the Australian financial system, but the global financial crisis means that some foreign banks may consider withdrawing their funding from good Australian businesses that require funding to invest in growth and jobs.

That is why the Rudd Government will establish the Partnership to ensure viable Australian construction and commercial property projects, and the jobs and businesses they support, are not wiped out because of unrelated and uncontrollable fluctuations in global credit markets.

### **The Australian Business Investment Partnership**

The Australian Business Investment Partnership will support only high quality Australian assets suffering as a result of

global weakness in capital markets.

The action the Government is undertaking does not in any way reflect on the health of the Australian banking system. The banking sector remains well capitalised and Australia has withstood the impact of the global crisis better than many of its international counterparts.

However Australia is not immune from the global crisis and the actions being announced today will help shore up our system against ongoing uncertainty. Disruption in the commercial property sector credit market could have a devastating impact on Australian jobs, which is why the Government is determined to act.

The Government and the major banks have committed capital to this fund in equal partnership and will only offer loans by unanimous agreement between all parties. The Partnership will provide financing on fully commercial terms for commercial property where the underlying assets, and the income streams from those assets, are commercially sound.

This Partnership will be initially capitalised at \$4 billion, with the Government contribution of \$2 billion matched by an equal contribution by Australia's four major banks. The initial \$4 billion capitalisation could be extended via the issuance of government guaranteed debt to create up to \$30 billion of loanable capital.

The Partnership will be limited to the re-financing of existing Australian commercial property syndicated loans on commercial terms when the withdrawal of funding by a participant of the syndicate threatens the refinancing of the loan.

The Partnership will focus on completed commercial property investments and partly completed development projects with secured pre-commitments (for example, retail shopping centres, commercial office and industrial property). It will be structured to allow sufficient flexibility to provide financing in other areas of commercial lending, should the need arise and the Government and four major banks jointly agree.

Completed commercial property projects would be included in this partnership to ensure that systemic instability in the commercial property sector does not undermine investor confidence.

The Government and the major banks will continue discussions over the coming weeks to finalise arrangements for the implementation of the Partnership, with a view to having it operational by March 2009.