

For some years now, particularly since the onset of the global financial crisis (GFC) small businesses (SBs) in Australia have undergone a drastic economic downturn. Hence they need a renewed financial input from the federal government via a new Development Bank modelled on the major German development bank, the Kreditanstalt für Wiederaufbau (KfW) and on the same lines as Australia's former Commonwealth Development Bank.

Such a bank would assist in ameliorating the escalating costs for SBs in borrowing from the commercial banks, a burden that has exacerbated through reduced bank competition during the GFC.

The success record of the German KfW proves that a new Australian Development Bank on similar lines would support our national economy by acting as an "equaliser" via providing low-interest, long-term credit for SBs whose only current credit option is the local branch of a major bank. As in Germany as well as outside it, where small and medium-sized enterprises (SMEs) gain by investment both in business and in environmental protection, the same program for Australian SBs would boost their economic prospects.

They would also enjoy periods free from repayments and gain a competitive edge with foreign competitors. Loan programs would promote the Australian economy by extending long-term loans with a maturity of 10 to 20 years at favourable interest rates fixed for 10 years, even for 20 years as under the SME program. As with the KfW, an added advantage would be that almost all loans could be repaid in full or partially before maturity and free of charge.

A further vital feature of such loans would be that they would focus on the creation and modernisation of housing and communal infrastructure investment.

An attractive advantage of the loan process is that it requires only a simple application, loan commitment and loan handling via a regular bank.

One essential aspect is that a government-backed development bank could assist the government to set necessary standards and disciplines on the banking sector which can't be gained by regulation alone.

In light of these realities, a new development bank is the best way forward, particularly for SBs in Australia.

Peter Phillips, Springvale, Victoria