

Impact of the GFC on regional business

Introduction

- 2.1 It is difficult to generalise when discussing the impact of the GFC on regional Australia. As noted in the previous chapter, the picture which has emerged throughout the course of this inquiry is a mixed one. Some regions are worse off than they were before the crisis, others the same or better.
- 2.2 Much of this has to do with the economic make-up of various regions. Those which are heavily reliant on the mining industry, for example, have suffered as world commodity prices and demand have declined. Yet, in Queensland, a new coal mine is opening in the Surat Basin, creating more jobs¹ while declining mineral prices have led to job losses in the Mackay-Fitzroy-Central West region of Queensland.² The tourism industry has found itself in similar circumstances. Decreasing international tourist numbers have had a negative impact on cities such as Cairns and the Gold Coast, while the tourism sector in Tasmania remains strong.
- 2.3 The differing nature of the crisis is reflected to some degree in the presentation of the evidence in this report. Rather than itemising the impact of the crisis on various regions around Australia, the next three chapters will note the impact of the crisis on business, individuals and local governments in regional Australia, in each case noting the assistance provided by the Commonwealth Government.

1 Media report, Surat Basin's Newest Mine Creates Jobs, ABC Rural, 12 June 2009, <http://www.abcnet.au/rural/resource/stories/s2596512.htm>, accessed 26 August 2009.

2 See, Government of Queensland, *Submission No. 156*, p. 3 & Townsville Enterprise, *Submission No. 120*, p. 11.

- 2.4 This crisis is an economic one and therefore it is logical to begin with its impact on business in regional Australia, because a constricting economy affects people, which in turn, affects the government institutions that assist them.
- 2.5 As noted, it is not possible for the Committee to present a complete picture of the impacts of this crisis on the various industries noted in this section, as the crisis continues and its full impact will not be known for some time. The first section of this chapter will therefore detail the evidence the Committee has received to date, noting the major sectors in regional Australia that have felt the crisis' effects and ways in which the Commonwealth Government has responded. These sectors include:
- Resources;
 - Manufacturing;
 - Tourism;
 - Retail;
 - Construction;
 - Primary industries; and
 - Banking and lending.

The chapter will conclude with a brief discussion on operating businesses through economic downturns.

Resources sector

- 2.6 Australia's resource sector is export oriented, with much of the exports going to Asian markets such as China, Japan and the Republic of Korea. Gross Domestic Product (GDP) in these countries has fallen since the onset of the GFC and as a result, demand for Australian energy and minerals commodities has also fallen.³ Falling demand has led to falling prices. In turn, falling commodity prices have raised the cost of mining operations and impacted the ability of resource companies to access financing for development projects.⁴ Accessing credit will be discussed later in this section; however, it should be noted that mining companies have been unable to access credit or only at terms which 'impose a highly risky and

3 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 9.

4 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 9.

- onerous debt burden on them'.⁵ The option of on-market equity raising has been problematic due to the volatility of the share market.⁶
- 2.7 Exploration in the resources sector has also decreased since the beginning of the GFC. Barring exploration for petroleum, which has increased, mineral exploration expenditure fell by 3.1 per cent in the December 2008 quarter alone. Exploration budgets have been cut and exploration staff laid off in order to conserve capital.⁷
- 2.8 All this has resulted in decreasing profits for resource companies with a corresponding decrease in company share prices. In regional Australia, a reduction in the demand and price of commodities has meant job losses. From February 2009, employment in the mining industry fell by 5.2 per cent – the equivalent of 8,600 people.⁸ Combined with a decrease of 7.9 per cent in the period between November 2009 and February 2009 (13,000 people), it is clear that job losses in the mining sector have been significant.⁹
- 2.9 Evidence provided to the Committee by the Department of Resources, Energy and Tourism (RET) indicates that Western Australia (WA), South Australia (SA) and Queensland (QLD) have been hit particularly hard by job losses in the resources sector.¹⁰ This is consistent with evidence gathered by the Committee at its public hearings. In Geraldton, the Committee was advised that some of the mining companies 'have either stopped or reduced production, which has led to downturns and staff being put off'.¹¹ In Broken Hill, around 50 positions have been lost at the CBH mine and 440 at the Perilya mine, resulting in a 30 per cent decrease in employment across all of Broken Hill.¹²
- 2.10 A 30 per cent decrease in employment in Broken Hill is substantial and the flow-on effects even more so. In cities such as Broken Hill, mining companies are often the major employer and driver of local industry. Job losses at the local mine have a major impact on other businesses which may be suppliers of mining products or services or depend on the economic activity generated by mine employees for business. In Burnie,

5 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 9.

6 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 9.

7 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 9.

8 Ms Jane Madden, *Transcript 14 August 2009*, p. 72.

9 Department of Resources, Energy and Tourism, *Submission No. 35*, pp. 10 & 11.

10 Ms Jane Madden, *Transcript 14 August 2009*, p. 72 & Department of Resources, Energy and Tourism, *Submission No. 35*, p. 10.

11 Mr Anthony Brun, *Transcript 29 April 2009*, p. 3.

12 Mr Desmond Bilske, *Transcript 7 July 2009*, p. 2.

for example, Caterpillar, an underground mining manufacturer, has been forced to reduce employment due to a reduction in orders for mining equipment.¹³ The whole Burnie region has suffered as a result. Some redundant workers have found other work but at lower pay, resulting in poorer living standards.¹⁴ Local businesses dependant on the Caterpillar supply chain have also experienced a reduction in orders and profits leading to multiple job losses:

...there are a couple of other local companies that have supported Caterpillar. There will be a loss of 20 to 25 per cent of the jobs in one particular small engineering firm of 20 people. Lots of other companies have gone back to four-day weeks. They are trying to hang on and keep their skill base together as an alternative to making people permanently redundant. The outsourcing habits, particularly of larger businesses like Caterpillar...are fairly catastrophic to other small to medium sized businesses in the region.¹⁵

- 2.11 In some instances, job losses in the resources sector can impact regions far removed from the primary operation. In WA, job losses at the Iluka mineral sands mine in the North West have had an effect as far south as Busselton. Many of the retrenched Iluka workers were fly-in/fly-out and based in southern cities such as Busselton. The loss of these jobs impacts the Busselton community, as unemployed and underemployed workers are forced to relocate to Perth or elsewhere for work, thereby reducing economic activity in Busselton.¹⁶
- 2.12 The Busselton example also highlights the sometimes transient nature of employment in the resources sector. RET points out that resource job losses in WA and SA were mitigated by increases in mining industry employment in Tasmania and Queensland (the opening of a mine in the Surat Basin has already been noted in this report) in the February 2009 quarter and the Department has advised that mining and contractor companies are redeploying staff to other areas of their operations.¹⁷
- 2.13 Reports of staff redeployments and growth in areas of the sector (Queensland LNG for example) are encouraging. Certainly the resource industry, while affected by the crisis, has appeared to weather it better to date than other industries which are discussed in this chapter. RET

13 Caterpillar Underground Mining Pty Ltd., *Submission No. 75*.

14 Mr Paul Arnold, *Transcript 20 April 2009*, p. 6.

15 Mr Lee Whitely, *Transcript 20 April 2009*, p. 20.

16 Mr David Smith, *Transcript 30 April 2009*, p. 5.

17 Department of Resources, Energy and Tourism, *Submission No. 35*, pp. 10 & 11.

attributes this to the resilience, innovativeness and efficiency of the sector which has 'taken steps over the last 10 years to ensure it is well-positioned for the future'.¹⁸

- 2.14 Despite the relatively good health of Australia's resource sector, the Commonwealth Government has provided assistance to the sector. The assistance has focused predominantly on employment and education programs for those who have lost their jobs. Much of this activity occurs under the auspices of Job Services Australia, which is the Commonwealth Government's major employment services program across Australia.¹⁹ At its public hearing in Canberra, the Department of Education, Employment and Workplace Relations (DEEWR) advised the Committee that Job Services Australia is 'there to assist redundant workers' and noted that 'people who lose their jobs as a result of a global economic recession...do get immediate access to a higher level of service within Job Services Australia'.²⁰
- 2.15 In regards to the mining sector, Job Services Australia providers firstly attempt to help workers find other employment within the industry. If other employment is not forthcoming, training designed to develop alternate skill sets for employment in other sectors is provided.²¹
- 2.16 The Committee accepts and supports the general goals of this service but did raise concern that in a town such as Broken Hill, when a mine closes and many people lose their jobs, the ability of the community to absorb those workers into other professions may be limited.²² DEEWR noted the Committee's concern but pointed out that the Jobs Fund²³ 'will create jobs in the local communities'.²⁴
- 2.17 At the time of writing, the first round of Jobs Fund projects had just been announced. Broken Hill did not receive a project in that round²⁵ and therefore, it is likely that unemployed miners in Broken Hill have been

18 Department of Resources, Energy and Tourism, *Submission No. 35*, p. 10.

19 Mr Graham Carters, *Transcript 14 August 2009*, p. 17.

20 Mr Graham Carters, *Transcript 14 August 2009*, p. 18.

21 Mr Graham Carters, *Transcript 14 August 2009*, p. 18.

22 Mr Jon Sullivan MP, *Transcript 14 August 2009*, p. 19.

23 The Jobs Fund is a \$650 million dollar fund designed to support and create jobs and improve skills by funding projects that build community infrastructure and create social in local communities, DEEWR, <http://www.deewr.gov.au/Employment/Pages/JobsFund.aspx>, accessed 25 June 2009.

24 Mr Graham Carters, *Transcript 14 August 2009*, p. 19.

25 See successful Jobs Fund projects under Round 1 document, http://www.deewr.gov.au/Employment/Documents/Jobs_Fund_projects.pdf, accessed 4 September 2009.

redeployed, moved to other mining areas for work – as noted by RET in its evidence to the Committee – or assisted by Job Services Australia.

- 2.18 The redeployment of skills out of a region may assist in ensuring continued employment but it does not necessarily benefit the region's economy, as skilled employees do not always return. The only other option for maintaining a region's skills base is diversifying its economy. Economic diversification is key to ensuring that regions are better equipped to withstand economic downturns and the Committee will discuss this issue in greater detail later in the report.
- 2.19 The Committee was advised by DEEWR that in addition to the services provided by Job Services Australia around the country, certain regions across Australia hit particularly hard by the crisis have been identified as Local Employment Priority Areas. In these areas, Local Employment Coordinators (LECs) have been tasked with identifying employment opportunities for workers who have lost their jobs; working with community stakeholders to maximise employment and training opportunities resulting from the Government's stimulus package; and developing apprenticeship opportunities and promoting the skills needed for future economic recovery.²⁶ There are twenty Local Employment Priority Areas and several of these cover regions which have been affected by job losses in the resources sector.
- 2.20 Direct government financial assistance to the resources sector is much more limited. The sector has benefited from some of the recent government stimulus, for example, The Australian Rail Track Corporation received \$580 million from the Commonwealth as part of a larger package to upgrade the Hunter rail system, thereby benefiting the coal industry. Commonwealth money has also been provided to various pipeline projects; however, the mining sector 'from the Government's perspective, is expected to pay for itself'.²⁷

Manufacturing sector

- 2.21 The Australian manufacturing sector has been under stress for some time. Between 2002 and 2008, the high value of the Australian dollar 'led to a severe deterioration in the competitiveness of Australian

26 DEEWR,
http://www.deewr.gov.au/Employment/Documents/LEC_FactSheet_13_July_2009.pdf,
accessed 4 September 2009.

27 Mr Christopher Stamford, *Transcript 14 August 2009*, p. 79.

manufacturing'.²⁸ The sector has also been undergoing a period of mechanisation—leading to a reduction in the workforce and has faced pressure from overseas competition.²⁹ The GFC, then, is being viewed by some manufacturers as the final blow in a 'perfect storm' of challenges facing Australian manufacturing.³⁰

- 2.22 In regional Australia, those areas reliant upon manufacturing for the generation of employment and other economic activity have been particularly impacted by the GFC. Larger manufacturing centres such as Geelong and the northern Adelaide region have received much attention due to job losses in the automobile and textile industries; however, other cities such as Wodonga have also suffered.³¹ Furthermore, in much smaller towns, a reduction of staff at a local manufacturing business can have an exponentially larger impact when that business is the major employer in the region.³²
- 2.23 The Committee gathered evidence around the country regarding job losses in the manufacturing sector. Geelong, in particular, served as a valuable case study for the Committee about the impact of the GFC on manufacturing in regional Australia. When the Committee visited Geelong in April 2009, 1000 jobs had already been lost as a result of the GFC.³³ Like the resources sector, a downturn and subsequent job losses at major manufacturers affects the entire supply chain and so, in Geelong, the impact of the GFC on companies such as Ford, Shell, Godfreys and Alcoa can have a substantial multiplier effect, impacting supply companies in Geelong and the region.³⁴
- 2.24 The Commonwealth Government provides assistance to the manufacturing sector in two ways. It provides support for small and medium sized manufacturers through programs such as Enterprise Connect and AusIndustry's Small Business Advisory Program. There has also been support provided to those who have lost their jobs in the sector through the work of Local Employment Coordinators and Job Services Australia.
- 2.25 Specifically, the Government has responded to the needs of Australian manufacturers on a sectoral basis, establishing various programs and

28 Geelong Manufacturing Council, *Submission No. 131*, p. 4.

29 The Geelong Chamber of Commerce, *Submission No. 129*, p. 2.

30 Geelong Manufacturing Council, *Submission No. 131*, p. 2.

31 City of Wodonga, *Submission No. 19*, p. 1.

32 Central Murray ACC, *Submission No. 100*, p. 4.

33 Mr David Sykes, *Transcript 22 April 2009*, p. 46.

34 Mr David Sykes, *Transcript 22 April 2009*, p. 47.

structural adjustment funds targeted at facilitating innovation in Australia's manufacturing sector.³⁵

2.26 In the medium to long-term, entities such as the Pulp and Paper Industry Group and the Steel Industry Innovation Council are examining ways in which their industries can grow.³⁶ These bodies are important and are expected to assist manufacturers in Australia to adapt to the challenges they face. To date, the Government has announced six Industry Innovation Councils:

- Automotive (19 December 2008);
- Built Environment (2 September 2008);
- Future Manufacturing (10 October 2008);
- Information Technology (5 May 2009);
- Textile, Clothing and Footwear (12 May 2009) and
- Steel (30 July 2009).³⁷

2.27 The Committee was interested, however, to explore how governments can provide rapid responses and financial assistance to manufacturers during sharp downturns. The Department of Innovation, Industry, Science and Research advised that immediate assistance can come in the form of structural adjustment funds. Funds have previously been set up in response to Mitsubishi and Electrolux plant closures and the Auspine mills in Tasmania.³⁸

2.28 The Geelong Investment and Innovation Fund was also cited and discussed at the Committee's hearing in Geelong. The Fund was established following a decision by Ford Australia to restructure its Geelong manufacturing operations. The fund is a \$24 million package with the Commonwealth Government contributing \$15 million, the Victorian Government \$6 million and Ford Australia \$3 million.³⁹ It is designed to support new investment in the region which is expected to

35 Mr Stephen Payne, *Transcript 14 August 2009*, p. 34.

36 Mr Stephen Payne, *Transcript 14 August 2009*, p. 34.

37 Department of Innovation, Industry, Science and Research, *Submission No. 169*, p. 1.

38 Mr Stephen Payne, *Transcript 14 August 2009*, p. 35.

39 GrantsLINK, Geelong Investment and Innovation Fund, <http://www.grantslink.gov.au/Info.aspx?NodeID=2&ResourceID=1829>, accessed 7 September 2009.

lead to sustainable job opportunities,⁴⁰ in the neighbourhood of one job created for every \$30,000 to \$40,000 spent.⁴¹ The Geelong Manufacturing Council has noted the 'significant and positive impact' the fund has had on the Geelong region.⁴²

- 2.29 Despite anecdotal evidence provided to the Committee about the positive impact the Geelong Investment and Innovation Fund has had on the Geelong region, it is too early to tell the extent of the impact. While its long-term effects may be positive, the use of structural adjustment funds as a response mechanism to a rapidly declining economic environment should be tested. The Australian National Audit Office has examined the administration of previous structural adjustment funds but it is not clear if they are an effective tool to be employed during economic downturns such as this. Therefore, the GFC presents an opportunity for the Government to evaluate the potential use of structural adjustment funds in response to economic downturns such as the GFC.

Recommendation 1

- 2.30 **The Committee recommends that the Government evaluate and report on the potential use of structural adjustment funds as a response to economic downturns such as the global financial crisis.**
- 2.31 The Committee is also concerned that structural adjustment funds are not sufficiently flexible in nature to account for the challenges facing small business during times such as these. The manufacturing sector in Australia has been changing over time as overseas competition has increased and jobs have been lost to improved methods of production. As a result, smaller manufacturers in regional Australia have replaced larger manufacturing companies. It is those smaller manufacturers, and other small businesses, which have driven economic and employment growth in regions such as Geelong.⁴³

40 GrantsLINK, Geelong Investment and Innovation Fund, <http://www.grantslink.gov.au/Info.aspx?NodeID=2&ResourceID=1829>, accessed 7 September 2009.

41 Mr David Sykes, *Transcript 22 April 2009*, pp. 49 & 50.

42 Mr David Sykes, *Transcript 22 April 2009*, p. 48.

43 The Geelong Chamber of Commerce, *Submission No. 129*, p. 2.

- 2.32 Structural adjustment funds are targeted in nature and are intended to assist in cases where large scale job losses will create massive problems in communities. They may not, however, assist smaller businesses in regional Australia that are otherwise successful but have suffered a short, sharp shock because of the GFC and the nature of the industry they operate in.⁴⁴
- 2.33 The Committee, therefore, encourages the Government, in examining the potential use of structural adjustment funds in response to economic downturns such as the GFC, to consider their flexibility and ability to assist small enterprises in addition to larger companies.

Recommendation 2

- 2.34 **The Committee recommends that the Government, in examining the use of structural adjustment funds, consider the flexibility and ability of structural adjustment funds to assist small enterprises in addition to larger companies.**

Tourism sector

- 2.35 The tourism industry has certainly felt the impact of the GFC, declining at a worse rate than the rest of the economy.⁴⁵ Data presented to the Committee in August 2009 indicated that there was ‘real deterioration’ in the domestic tourism market – the ‘backbone of the Australian tourism industry’.⁴⁶ International visitor numbers were also down nearly two per cent in the first half of 2009.⁴⁷ This has resulted in a marked lack of profitability for the industry as individuals have delayed holidays and business travel has been reduced.⁴⁸
- 2.36 It should be noted, however, that the Australian tourism sector is faring comparatively well when considered against the performance of countries such as Japan and New Zealand. Around the world, travel is down eight

44 Ms Catherine King MP, *Transcript 14 August 2009*, p. 35.

45 Mr Evan Hall, *Transcript 6 July 2009*, p. 67.

46 Ms Jane Madden, *Transcript 14 August 2009*, p. 72.

47 Ms Jane Madden, *Transcript 14 August 2009*, p. 72.

48 Tourism Australia, Tourism Forecasting Committee, *Forecast 2009: Issue 1, Exhibit No. 29*, p. 1.

per cent for 2009, while the travel market in Australia has only declined by 1.7 per cent in the same period.⁴⁹

- 2.37 The decline in tourism activity has been particularly felt by regional areas which have a greater reliance on tourism for employment.⁵⁰ Throughout its public hearings, the Committee canvassed witnesses about the impact of the GFC on tourism and tourism employment in their region. The reports it received were mixed.
- 2.38 On the Gold Coast, tourism contributes approximately \$4.2 billion annually to its economy and generates over 19,000 full-time jobs.⁵¹ In that region, August 2009 figures indicated that international visitation was down by 7.8 per cent or 65,000 visitors and domestic overnight visitation was down 12.8 per cent or 470,000 visitors.⁵² This has resulted in declining operator confidence, cuts to operator marketing and a 'virtual drying up of tourism investment and development' on the Gold Coast.⁵³ Conversely, international visitor expenditure and day-trip expenditure has increased while overnight visit expenditure has decreased.⁵⁴
- 2.39 In the Northern Territory, domestic and international visitation numbers declined in the 2007/2008 period, as did visitor expenditure, which decreased by 12.4 per cent in the same period.⁵⁵ As elsewhere, the greatest impact of the GFC on NT tourism has been declining employment prospects in the tourism and retail related industries – felt most acutely in regional towns.⁵⁶
- 2.40 Western Australia, outside of Perth, has experienced a decline in tourism activity.⁵⁷ This evidence was supplied to the Committee in July 2009, indicating that the situation had worsened in South West WA since the Committee's public hearings there in April. When in Busselton WA, the Committee was advised that:

...things are very good at the moment. We are talking about the immediate vicinity of Busselton and not the whole Busselton shire. Most businesses benefit in this whole Capes to Capes region either

49 Ms Jane Madden, *Transcript 14 August 2009*, p. 72.

50 Mr Evan Hall, *Transcript 6 July 2009*, p. 68.

51 Gold Coast Tourism, *Submission No. 166*, p. 1.

52 Gold Coast Tourism, *Submission No. 166*, p. 1.

53 Gold Coast Tourism, *Submission No. 166*, p. 1.

54 Mr Paul Donovan, *Transcript 4 August 2009*, p. 32.

55 Northern Territory Government, *Submission No. 145*, p. 6.

56 Northern Territory Government, *Submission No. 145*, p. 7.

57 Mr Evan Hall, *Transcript 6 July 2009*, p. 68.

directly or indirectly from tourism... The accommodation providers that are providing for the top end [clientele] are suffering a bit. The mid-range are not. Our biggest market in this region for tourism is Perth based metropolitan. We are also getting more and more overseas visitors. We are actually going the opposite way to the Australian trend... people in the hospitality industry, in general, are having the best year that they have had for many years.⁵⁸

- 2.41 In Victoria, and particularly in Tasmania, discussions surrounding the tourism sector had a generally positive tone. The Grampians area of Victoria has noted a decline in international and interstate tourism numbers, but the region has been buoyed by an increase in intrastate visitors:⁵⁹

We believe that the opportunities for us, even in tough times, are reasonably good. That is mainly because our biggest market is the domestic market... We are already finding that we have seen a tendency for our domestic volume to increase because everyone is staying at home and not travelling overseas so much. From that point of view, we see there are some positive signs.⁶⁰

- 2.42 Tasmania, it would appear, has fared better than most. When the Committee visited Launceston in April 2009, it was advised that 'tourism in Tasmania and in Launceston in particular is going extremely well at the moment'.⁶¹ In Tasmania, like Victoria and perhaps even WA, domestic tourism has carried the industry during this period:

A very small proportion of our ongoing tourism business is internationally based or comes from international visitation. Figures released in the last two weeks show an increase of 12 per cent in visitation but, more importantly, an increase of 19 per cent in per visitor spend. To put that into practical language, instead of people from Sydney and Melbourne, which are our main drawing areas, going overseas, they are taking a holiday to an island.⁶²

- 2.43 The Committee often received conflicting reports during the course of this inquiry and particularly relating to tourism. Part of this has to do with the rapidly changing and available data, as figures or evidence relayed in the

58 Mr Peter Gordon, *Transcript 30 April 2009*, p. 38.

59 Mr Glen Davis, *Transcript 23 April 2009*, p. 23.

60 Mr Ross Hatton, *Transcript 23 April 2009*, p. 35.

61 Mr Robert Wallace, *Transcript 21 April 2009*, p. 9.

62 Mr Robert Wallace, *Transcript 21 April 2009*, p. 9.

first half of 2009 did not always match data released in the latter part of the year. It also reflects the difference between national data and region specific data. There are always challenges when interpreting data, however, the story which emerged from the written and oral evidence was varied enough to warrant follow-up discussion.

- 2.44 The Committee raised this issue with the Tourism and Transport Forum during its public hearing in Sydney and was advised that Tasmania, South Australia and Victoria were performing well in the domestic tourism market and that the strength of the industry in different regions was 'determined largely by how dependent [a region is] on domestic versus international tourism'.⁶³
- 2.45 The Tourism and Transport Forum also argued that 'most people are mistaking volume for yield'.⁶⁴ The tourism industry, the Committee was advised, has been dramatically cutting profit margins and prices which has resulted in good volume but poor yield. Once discounting has occurred, the only other place to cut costs is in labour and that is why employment numbers are down in the tourism industry.⁶⁵
- 2.46 Employment numbers are down in those regions reliant on international tourism. Far North Queensland and the Northern Territory in particular are heavily reliant on international tourism and in Far North Queensland, August 2009 employment figures indicated that the rate of unemployment there was the highest in the country at nearly 10 per cent.⁶⁶
- 2.47 Differentiating between domestic and international tourism helps account for some of the mixed messages received by the Committee. As RET points out, often tourism is referred to as 'almost an amorphous single entity' but in fact it is a sector with a range of components. In addition to leisure tourism, there are business events, major events and study tourism as well.⁶⁷ As a result, 'some parts of the industry can be performing quite strongly and well while other parts are having particularly difficult times'.⁶⁸
- 2.48 The Committee heard that this is why the Government has responded to the crisis with a suite of measures which apply to a range of industries and

63 Mr Evan Hall, *Transcript 6 July 2009*, p. 71.

64 Mr Evan Hall, *Transcript 6 July 2009*, p. 71.

65 Mr Evan Hall, *Transcript 6 July 2009*, p. 71.

66 Tourism and Transport Forum, Media Release: *Tourism Needs a Shot in the Arm*, 3 September 2009.

67 Ms Jane Madden, *Transcript 14 August 2009*, p. 75.

68 Ms Jane Madden, *Transcript 14 August 2009*, p. 75.

a range of sector sub-sets. In regards to the tourism sector, it has been a 'net beneficiary' of the Government's cash stimulus and the Committee has been advised that the 'injections of fiscal stimulus into the economy have been flowing through some tourism establishments'.⁶⁹ The Government's second stimulus package targeting infrastructure spending is also expected to have 'some benefit for tourism'.⁷⁰

2.49 Likewise, the Regional and Local Community Infrastructure Program is funding projects 'targeted primarily at improved tourism infrastructure'⁷¹ and the Jobs Fund has supplied money for tourism related projects.

2.50 More specifically, tourism businesses have access to the TQUAL Grants funding program administered by AusIndustry. TQUAL Grants support initiatives that:

- develop innovative product, services or systems within the tourism industry;
- contribute directly to long-term economic development in the host region; and
- develop or support high quality visitor services and experiences.⁷²

2.51 The TQUAL Grants program opened in early 2009 and RET reports that over four hundred applications were received:

It was massively oversubscribed for the amount that is available. There was \$8.5 million available for two years. We had 491 bids. The total, if all bids were to be considered, would be many hundreds of millions of dollars. And of course it is a highly competitive process. But it shows the need, the interest and the enthusiasm in regional and rural Australia for having some support to help them develop further the tourism product and service in the areas.⁷³

2.52 The Committee notes the strong demand for the TQUAL Grants program and recommends that the Government consider increasing the quantum of funding for the Program, while ensuring that regional tourism businesses

69 Ms Jane Madden, *Transcript 14 August 2009*, p. 78.

70 Ms Jane Madden, *Transcript 14 August 2009*, p. 78.

71 Western Australia Local Government Association, *Submission No. 71*, p. 7.

72 AusIndustry, TQUAL Grants, <http://www.ausindustry.gov.au/Tourism/TQUALGrants/Pages/TQUALGrants.aspx>, accessed 8 September 2009.

73 Ms Jane Madden, *Transcript 14 August 2009*, p. 77.

receive a proportionate share of the grant funding provided the applications adhere to the program guidelines.

Recommendation 3

- 2.53 **The Committee recommends that the Government increase the quantum of funding for the TQUAL Grants program, while ensuring that regional tourism businesses receive a proportionate share of the grant funding, provided the applications adhere to the program guidelines.**
- 2.54 Tourism businesses also have access to other government programs administered by various departments. For example, small and medium sized tourism businesses have been among the major beneficiaries of the Export Market Development Grants Scheme, administered by Austrade.⁷⁴ RET advised the Committee that it has recently secured agreement that regional tourism organisations can bid for these grants. This will help those organisations to market offshore.⁷⁵
- 2.55 Like each of the industries discussed in this chapter, employees in the tourism sector who have lost their jobs as a result of this downturn have access to support through Job Services Australia and the services of Local Employment Coordinators assigned to regions reliant on tourism – particularly Far North Queensland.
- 2.56 The tourism industry comprises a broad range of businesses and employees, and as such, government assistance for the sector has been equally broad. While the tourism sector has received assistance through a variety of programs, the Committee is concerned that the funding is not being directed in a manner which will ensure a particular outcome. Certainly, the money is supporting jobs and assisting business through a tough period but looking forward, it is important that there is coordination in the strategic planning, as there are ‘so many diverse players within tourism, all of whom need to act together cooperatively to create the one experience for the tourist’.⁷⁶
- 2.57 The Tourism and Transport Forum has suggested that destination planning is the appropriate approach. For example:

74 Ms Jane Madden, *Transcript 14 August 2009*, p. 79.

75 Ms Jane Madden, *Transcript 14 August 2009*, p. 79.

76 Mr Evan Hall, *Transcript 6 July 2009*, p. 78.

You might say, 'We're going to build up the Gold Coast and the hinterland of South-East Queensland as a nature based destination attracting markets from the Middle East and India.' That would be quite a legitimate strategy to pursue. How do you actually implement that? That comes down to things like planning in Surfers Paradise to make sure that three- or four-bedroom apartments are being built.⁷⁷

2.58 Destination planning requires a high level of cooperation between federal, state and local governments, various industries and across government portfolios,⁷⁸ but it may avoid scenarios whereby a grant for the private sector in a particular tourism destination 'is not totally inconsistent with the branding, marketing and future direction'⁷⁹ of that destination.

2.59 The Committee has been advised that RET is 'very mindful of trying to work across the whole raft of government programs'⁸⁰ and there is precedence for this type of cooperation. The National Landscapes Program:

...provides a framework for regional and cross-jurisdictional collaboration to ensure that the visitor experience promised by the destination brand is delivered to the target market.⁸¹

The TQUAL Grants process will encourage cooperation between state and federal governments as state tourism organisations have been asked to assess applications as part of the process.⁸² The Committee is also aware that coordination between government and the private sector has been a primary consideration when developing the National Long-Term Tourism Strategy.⁸³

2.60 Given the current levels of cooperation between federal, state and local governments and the current levels of stimulus being provided by governments, now would be an ideal time to encourage greater coordinated planning in the tourism sector.

2.61 The Tourism and Transport Forum has suggested that coordinated planning should come in the form of prioritisation:

77 Mr Evan Hall, *Transcript 6 July 2009*, p. 78.

78 Mr Evan Hall, *Transcript 6 July 2009*, pp. 78 & 79.

79 Mr Evan Hall, *Transcript 6 July 2009*, p. 80.

80 Ms Jane Madden, *Transcript 14 August 2009*, p. 79.

81 RET, *Submission No. 35*, p. 26.

82 Mr Evan Hall, *Transcript 6 July 2009*, p. 80.

83 Ms Jane Madden, *Transcript 14 August 2009*, p. 77.

If you do a little bit all over the place you do not raise the quality of a destination, which means you get no extra people going there and they are certainly spending no more for a better experience. If you concentrate that effort in one destination, you change the nature of the destination, you get more people in and they spend more. That is not to say that you should ignore everywhere else, but we have, I think, 80 tourism regions for which we have separate marketing campaigns. We can identify 20 that account for 90 per cent of tourism expenditure. Not all regions are the same. If you started focusing on those 20, first of all you would be getting a lot more bang for your buck.⁸⁴

- 2.62 Denying funding to projects in areas which are not considered a priority will result in some regions missing out on funding that creates jobs and boosts local economies. It may also deny some regions the opportunity to grow and develop as tourist destinations. However, regions which already have a strong focus on tourism could benefit from a coordinated planning approach.
- 2.63 The Committee is aware that state, territory and the Commonwealth Government tourism ministers have been working towards a 'more coordinated relationship...across government'.⁸⁵ The Committee supports greater coordination between the tourism departments of state, territory and the Commonwealth Government and believes that the Development of the National Long-Term Tourism Strategy provides an opportunity to consider how states and regions can further improve their cooperation on identifying key tourism markets and setting priorities for marketing those locations.

Recommendation 4

- 2.64 **The Committee recommends that the National Long-Term Tourism Strategy should consider how states and regions can further improve their cooperation on identifying key tourism markets and setting priorities for marketing those locations.**
- 2.65 Strategic cooperation, it has been suggested, may also lessen the impact of the GFC on the regional tourism industry through the introduction of a

84 Mr Evan Hall, *Transcript 6 July 2009*, p. 80.

85 Ms Jane Madden, *Transcript 14 August 2009*, p. 77.

joint industry and government marketing campaign to be used where there is matching funding provided by industry or state tourism bodies:

...a joint industry/government tactical marketing fund of up to \$40 million per year over two years communicating Australian tourism's price competitiveness to international visitors is an appropriate response to market conditions...It would be used for 'tactical' campaigns marketing competitive tourism packages, such as airline and hotel discounts. In the short-term, this would be more effective than general destination promotion, driving bookings and expenditure and supporting jobs. A \$40 million fund would generate \$80 million in matched co-operative marketing.⁸⁶

- 2.66 Central to this recommendation is the notion that, at present, targeted marketing campaigns are more effective than general destination promotion. This point was echoed by Gold Coast Tourism which is concerned about the kind of marketing activities undertaken by Tourism Australia:

Woolworths do not promote the history of tomatoes or the sun in which they grow. They promote tomatoes, the kilo price and where you go and buy them...we are calling for less esoteric and aspirational marketing, getting down to things which people can relate to, where they can see value for money, see what the price is and see how they get there.⁸⁷

- 2.67 The Committee supports the use of a more strategic approach to tourism marketing, especially during times of acute economic stress in the industry. **Tourism Australia should, therefore, consider a strategic approach to its campaigns to ensure priority is given to markets affected by the GFC and those that will deliver the best return for the taxpayer's marketing dollar.**

Retail sector

- 2.68 The retail sector, like tourism, accounts for a wide range of businesses and therefore, the impact of the GFC on the retail sector has varied. The retail sector has also been affected to varying degrees depending on the region in question.
- 2.69 Those regions which have suffered downturns as a result of poor conditions in sectors such as mining, manufacturing or tourism have
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86 Tourism and Transport Forum, *Submission No. 155*, p. 6.

87 Mr Paul Donovan and Mr Martin Winter, *Transcript, 4 August 2009*, p. 38.

experienced corresponding downturns in their retail sectors. Job losses in Broken Hill's mining sector, for example, account for the evidence received by the Committee there suggesting that 'retail has been hit heavily, especially in the discretionary spending'.⁸⁸

2.70 Businesses which rely on discretionary spending have felt the effects more than others in the retail sector. A witness in Busselton noted:

Not surprisingly it depends almost entirely on how discretionary the spending is. Food and beverage sales are having their best year yet. Some of our hotels, pubs and supermarkets are doing well, but our discretionary spending shops are really struggling now and beginning to lay off staff. It is quite a mixed picture.⁸⁹

Indeed, when discretionary spending is separated from total sales figures, the indication is that discretionary spending has been weak since March 2008.⁹⁰

2.71 The retail sector has also experienced periods of highs and lows during the 2008/09 financial year. Initial, sharp declines in retail sales during the latter half of 2008 were followed by increases in retail spending during the Christmas 2008 period – largely due to the Government's pre-Christmas stimulus package.⁹¹ Recent figures suggest that the impact of the stimulus package has begun to wash through the economy and customers are now retreating from stores.⁹²

2.72 It is also interesting, and somewhat perplexing to note that in September 2009, retail spending was in a decline, while business confidence was at a six-year high, with particular improvement showing in the retail sector amongst others.⁹³ Each new survey and index reveals a different and changing picture, which has been one of the challenges inherent in this inquiry. It is safe to surmise, however, that the GFC has negatively impacted the retail sector, particularly those businesses relying on discretionary spending.

2.73 The primary action undertaken by the Government in support of the retail sector has been the distribution of bonus payments to households across Australia as part of the Government's economic stimulus plan. To date, it

88 Mr Robin Edgecumbe, *Transcript 7 July 2009*, p. 14.

89 Councillor Steve Harrison, *Transcript 30 April 2009*, p. 9.

90 Property Australia, *Value the new Mantra in the retail sector*, 1 July 2009.

91 See for example survey respondents' comments in Economic Development Australia, *Submission No. 110*.

92 The Courier Mail, *Dramatic Fall in Retail Spending*, 10 September 2009.

93 ABC News, *Business confidence hits six-year high*, 8 September 2009.

would appear that these payments 'have done something to hold up retail demand';⁹⁴ however, the retail trade remains weak.⁹⁵

Construction sector

- 2.74 Perhaps more than any other sector of the economy discussed in this section, the construction industry can be 'notably affected by the economic cycle'⁹⁶ and particularly the economic conditions created by the GFC. The lack of available credit resulting from the crisis has impacted on heavily geared sectors such as commercial and medium-density property construction,⁹⁷ and the declining output from the nation's mines, factories, office blocks and shopping centres means that the 'incentive to construct additional capacity is weak'.⁹⁸
- 2.75 Lower capacity utilisation rates are also coinciding with a decline in business investment, resulting in a decrease in construction activity to expand productive capacity. A direct result of this decreasing activity is unemployment and it has been forecast that employment in the construction sector 'may decline by 8.2 per cent over the next three years'.⁹⁹ At the end of August 2009, the sector had registered its 17th consecutive month of declining employment.¹⁰⁰
- 2.76 There are some positive figures that have come out of this sector to date. Housing construction activity is low but has remained resilient. In the July/August 2009 period, the Housing Industry Association Performance of Construction Index rose 2.9 points, indicating an improvement in house building and a stabilisation in the decline of apartment construction.¹⁰¹ It is expected that population demands and low interest rates will result in 'an improvement in the number of housing starts'.¹⁰²

94 Mr Glen Stevens, *Transcript 28 September 2009*, Senate Economics References Committee, Government Economic Stimulus Initiatives reference, p. 12.

95 Mr Greg Evens, *Transcript 28 September 2009*, Senate Economics References Committee, Government Economic Stimulus Initiatives reference, p. 57.

96 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 5.

97 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 9.

98 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 9.

99 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 6.

100 ABC News, *Construction decline continues but eases*, 7 September 2009, <http://www.abc.net.au/news/events/global-financial-crisis/>, accessed 13 October 2009.

101 ABC News, *Construction decline continues but eases*, 7 September 2009, <http://www.abc.net.au/news/events/global-financial-crisis/>, accessed 13 October 2009.

102 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 16.

- 2.77 Engineering construction has slowed but there is indication that certain projects in the mining, oil and gas and ports and energy sectors, coupled with government spending will assist in maintaining a strong project agenda, albeit at lower levels than previous years.¹⁰³ Commercial construction is generally down but the Commonwealth Government's Education Revolution spending program is driving building in the health and community services sector of commercial construction.¹⁰⁴
- 2.78 This Australia-wide snapshot is consistent with the evidence received by the Committee in regional Australia. Commercial construction in regional Australia has slowed. In Townsville, Myer intended to spend \$150 million on a new store but that plan has been shelved for two years, as has a mall project worth about \$200 million and a cruise ship terminal development.¹⁰⁵ In WA, very little commercial construction activity was occurring in Geraldton in April 2009;¹⁰⁶ however, the Oakajee deep water port project is expected to generate 'numerous jobs in construction' in the area.¹⁰⁷
- 2.79 Residential construction drives the economy of many regions in Australia. Those visited by the Committee, particularly South West WA and the Gold Coast have suffered from serious downturns in their property development sectors. In Busselton, the Committee was advised that:
- The impact on the residential construction industry [has been] immediate. I think people forget how important that is as an industry in rapid growth areas. For instance, I would estimate that in the greater Bunbury area residential construction has gone down by about 70 per cent, which has probably caused the loss of about 1,500 jobs from bricklayers, plasterers, tilers and so on.¹⁰⁸
- 2.80 On the Gold Coast, commercial and residential construction has dropped significantly as a result of the crisis. Indeed, the Gold Coast felt the effects of the crisis earlier than most parts of Australia, impacting severely on all of its economy and particularly its construction sector, which virtually ceased:

...at the beginning of 2007...the secondary financial market that had built on the Gold Coast collapsed. That was funding early

103 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, pp. 14 & 15.

104 Access Economics, *Construction industry: Economic drivers and outlook*, 27 July 2009, p. 13.

105 Mr Colin Dwyer, *Transcript 3 September*, p. 17.

106 Mr Anthony Brun, *Transcript 29 April*, p. 3.

107 Mid West Development Commission, *Submission No. 143*, p. 6.

108 Mr David Smith, *Transcript 30 April*, p. 4.

stage development projects which were underpinning the construction sector...What we saw in January, February and March 2007 was no money in the city because the financial sector, the providers of funds to developers and the construction sector, dried up...and a significant cash shortage [ensued] around March, April, May. This created an immediate outflow of employment...The rest of Australia started to move into it around September, October, but we were there nearly nine months earlier.¹⁰⁹

- 2.81 Housing construction on the Gold Coast has slowed but the 'dwelling sector is probably the most robust because there is still a demand for that type of housing generated in part by incentives for first home buyers'.¹¹⁰ Construction on community infrastructure has, as a result of government stimulus, also helped maintain construction activity in the regions.¹¹¹
- 2.82 In much the same way that the Government's cash payments to households helped the retail sector through the first part of 2009, government support provided through the Nation Building Economic Stimulus Plan has assisted the construction sector and filled the gap left by the private sector when it exited the market.
- 2.83 There are four components of the Nation Building Economic Stimulus Plan that directly affect the construction sector:
- Education;
 - Community infrastructure;
 - Road and rail; and
 - Housing.
- 2.84 The Building the Education Revolution program is expected to provide builders and associated tradespeople with work constructing and rebuilding primary and secondary school infrastructure throughout Australia. The construction of other community infrastructure, such as community halls and recreation centres, has commenced with funding provided directly to local governments around Australia through the Regional and Local Community Infrastructure Program. The Government has also increased and brought forward funding for roads, rail and community housing in response to the crisis.
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109 Mr John Witheriff, *Transcript 4 August*, pp. 4 & 5.

110 Mr John Witheriff, *Transcript 4 August*, p. 5.

111 See for example, Southern Inland Queensland ACC, *Submission No. 114*, p. 2.

2.85 Much of the initial evidence taken by this Committee was done so in the early part of 2009. At that point, it was still unclear to some in the regions how some parts of this stimulus package would affect them. In a submission received by the Committee in early April, businesses in the Central Murray region of Australia noted that 'a number of components of the stimulus packages (Community Infrastructure Program and Building Education Revolution) have not yet had any impact and are unlikely to for another 3 to 12 months.'¹¹²

2.86 By mid year, evidence is suggesting that these stimuli have assisted in slowing the decline in the construction sector and of equal importance, evidence provided to this Committee suggests that the Nation Building Economic Stimulus Plan is having a positive effect on employment in the construction industry:

If these capital works programs continue to operate over a number of years, they will greatly assist the City of Mandurah to maintain its infrastructure provision role, which in turn will maintain employment in the construction sectors. This in turn will have a positive flow-on effect to other industry sectors;¹¹³ and

The \$21,000 first home buyers grant "has saved a lot of people from being out of work".¹¹⁴

Primary industries

2.87 The Committee received evidence from three primary industry sectors, which will be discussed in this section:

- Agriculture;
- Forestry; and
- Fisheries.

Agriculture

2.88 The GFC has occurred at a time when resilience in parts of regional Australia is 'at an all-time low' as a result of prolonged drought.¹¹⁵ The drought has significantly reduced yields and farm incomes and as a result,

112 Central Murray ACC, *Submission No. 100*, p. 9.

113 City of Mandurah, *Submission No. 49*, p. 8.

114 ACC-Mackay Region, *Submission No. 45*, p. 7.

115 National Farmers Federation, *Submission No. 41*, p. 3.

‘the effect of the drought has, to date, been a more significant factor than the global financial crisis’.¹¹⁶

- 2.89 Nevertheless, the GFC has had short and long term impacts on the sector. Commodity prices, particularly of discretionary items such as wool and dairy, decreased immediately at the onset of the GFC and are expected to be volatile for some time.¹¹⁷ The departure from the market of non-bank lenders has led to credit access problems for some farmers, particularly in Tasmania.¹¹⁸ Buyers have also been troubled by limited access to credit, thereby creating uncertainty in the international trading environment and lowering farmers’ returns.¹¹⁹
- 2.90 Conversely, the GFC did depreciate the Australian dollar (against the American) thereby providing support for commodity export earnings and lower interest rates have provided some relief to farmers.¹²⁰ As the GFC continues, the agricultural sector is expected to be impacted by increased protectionist measures as countries support buy domestic campaigns. The initial retreat in discretionary commodity prices is being borne out by decreased demand for premium products in the market and a move towards cheaper staples. The National Farmers Federation is also concerned that rural land values may decrease.¹²¹

Forestry

- 2.91 Much of Australia’s forestry products are exported to countries such as Japan, the Republic of Korea and China. Downturns in those economies as a result of the GFC led to an immediate decrease in demand for forestry products. In the export woodchip market, for example:

...it was immediate from Japan. We had boats told they were not coming. There were boats that were scheduled to come in and take woodchip off the docks, and they said these boats would not be coming. It was that immediate.¹²²

- 2.92 Domestic sales have also decreased with reduced demand for solid wood products as wholesalers reduce their inventory.¹²³ In Victoria, falling

116 Department of Agriculture, Fisheries and Forestry, *Submission No. 128*, p. 3.

117 National Farmers Federation, *Submission No. 41*, p. 4 & Department of Agriculture, Fisheries and Forestry, *Submission No. 128*, p. 6.

118 Mr Charles McElhone, *Transcript 14 August 2009*, p. 51.

119 National Farmers Federation, *Submission No. 41*, p. 6.

120 National Farmers Federation, *Submission No. 41*, p. 6.

121 National Farmers Federation, *Submission No. 41*, p. 8.

122 Ms Eva Down, *Transcript 21 April 2009*, p. 63.

123 Ms Eva Down, *Transcript 21 April 2009*, p. 58.

international demand for woodchips coincided with falling investor demand for managed investment schemes used to fund forest plantations, resulting in the collapse of companies such as Great Southern at a considerable loss to investors.¹²⁴

- 2.93 Investors have lost money and employees have lost jobs as a result of the downturn in the forestry sector. In April 2009, mills in Tasmania shut down for ten days to avoid unnecessary redundancies. Despite this, timber mills have downsized in North East Tasmania with several hundred jobs lost.¹²⁵

Fisheries

- 2.94 The Committee received very little evidence regarding the impact of the GFC on the fisheries sector. Only in Geraldton was the Committee able to discuss the fisheries sector, and in that instance it related directly to the lobster industry. Lobster is a discretionary product, so it is little surprise that the lobster fishery has experienced a contraction in demand. Many of the Geraldton Fisherman's Coop's markets were in the United States, Japan and Western Europe, all of which have been severely impacted by the downturn.¹²⁶ As a result, people in Geraldton 'cannot remember...a situation this bad in the marketplace'.¹²⁷
- 2.95 What has been described as a 'short-term squeeze'¹²⁸ is coinciding with longer-term structural adjustment that is taking place in the industry. In much the same way that the manufacturing sector has undergone adjustment over time, the lobster fishery has experienced a long period of rationalisation whereby the technological capacity of the fleet was increased while the size of the fleet has decreased – almost by half.¹²⁹ The GFC has effectively meant that a reduced, but efficient fleet now waits to see if lobster markets will return.
- 2.96 While lobster fishermen in WA ride out this difficult period, the Commonwealth Government is offering a variety of assistance programs to primary industries in Australia. The Department of Agriculture, Fisheries and Forestry detailed for the Committee a number of programs already in place to support the agricultural sector in particular. These

124 Mr Jim Cooper, *Transcript 23 April 2009*, p. 58.

125 ACC Tasmania, *Submission No. 80*, p. 8.

126 Mr Wayne Hosking, *Transcript 29 April 2009*, p. 46.

127 Mr Wayne Hosking, *Transcript 29 April 2009*, p. 45.

128 Mr Wayne Hosking, *Transcript 29 April 2009*, p. 50.

129 Mr Wayne Hosking, *Transcript 29 April 2009*, p. 49.

programs are focused on increasing productivity and investment in the sector and preparing it for climate change. In direct response to the GFC, the Government cites its Nation Building and Jobs Plan as well as the Rural Financial Counselling Service and the Farm Management Deposits Scheme as programs which will assist the agricultural sector through this difficult period. Direct cash stimulus payments are also expected to be of assistance.¹³⁰

- 2.97 Most importantly, from an industry perspective, is the boost in investment in regional infrastructure which is expected as part of the Government's Nation Building Economic Stimulus Plan. Many representatives of regional economies that rely, in part, on primary industries cited greater infrastructure spending by government as the primary form of assistance required during this period and into the future:

The economic infrastructure investment – we are talking about roads, rail, ports, telecommunications and water infrastructure – is an incredibly key element in enabling agriculture to extend its contribution to the Australian economy, particularly to capitalise on the opportunities that we think are there and will continue to escalate over the medium to long term.¹³¹

- 2.98 In Busselton, representatives of the South West region stressed repeatedly the need for increased transport infrastructure spending to expand the economic capacity of the region:

I am going to sound like a broken record...at our board level there has been this coalescing of views, whether you are the shire president of Donnybrook-Balingup, the shire of Collie or the shire of Capel, with regard to the significance of the port, the capacity to expand the port in a timely way and to ensure connectivity.¹³²

- 2.99 Those from the forestry sector who spoke with the Committee support the Government's efforts to combat the effects of the GFC, but noted:

If Tasmanian timber can be used in schools and new housing, if the earth-moving equipment of forest contractors can be redeployed for roads and if we can encourage small businesses to take up new investments, this could lessen the impact.¹³³

130 Department of Agriculture, Fisheries and Forestry, *Submission No. 128*, pp. 9-11.

131 Mr Charles McElhone, *Transcript 14 August 2009*, p. 53.

132 Mr Matt Granger, *Transcript 30 April 2009*, p. 57.

133 Ms Eva Down, *Transcript 21 April 2009*, p. 55.

- 2.100 Certainly, the Government's investment in regional schools, community and transport infrastructure is expected to do just that. In NSW, the Business Chamber had initial concerns that local contractors may miss out on work related to the government stimulus package but later confirmed that no chamber members have had that experience.¹³⁴

Banking and lending sector

Introduction

- 2.101 Australia is lucky in that the GFC has impacted its banking sector less than in other countries. This has much to do with the strong regulation of the banking industry by the Australian Prudential Regulation Authority (APRA), whose close supervision and strong approach to risk management has resulted in an Australian banking sector that is more stable than those in overseas countries. Nevertheless, Australia's lending institutions have not entirely escaped the effects of the GFC. Its impact has been felt by banks, non-bank lenders, mutual ADIs¹³⁵ and the businesses that utilise their services.

Impact of the GFC on the regional banking and lending sector

- 2.102 Representatives of the Australian banking sector advised the Committee that despite tough economic conditions internationally:

Australian banks have remained well capitalised, with strong lending books, as well as being profitable. They have also continued to lend despite tight and volatile credit markets and increased costs of funds.¹³⁶

- 2.103 Despite these assurances, the Committee has received evidence from around Australia which suggests that banks' lending criteria have become more stringent since the onset of the GFC:

...Many local residents are more careful about their borrowings as are the banks with their lending practices (i.e. Loan to Valuation Ratios (LVR) have been reduced by most major banks for both residential and commercial loans).¹³⁷

134 Mrs Louise Southall, *Transcript 6 July 2009*, p. 58.

135 Authorised Deposit Taking Institutions

136 Mr David Bell, *Transcript 6 July 2009*, p. 44.

137 Goulburn Mulwaree Council, *Submission No. 113*, p. 2.

- 2.104 It is difficult for the Committee to confirm the veracity of these claims but the Committee has received enough anecdotal evidence to suggest that banks' risk profile may have changed as a result of the crisis. The banks do admit that 'there is a limit to the amount of risk and debt the banking industry can provide to a business'¹³⁸ and there have been highly geared companies which, as a result of the GFC, have been unable to secure additional credit.
- 2.105 Part of the perception that banks have reduced access to credit for business in regional Australia may be related to confusion about the definition of a bank. In Geelong, for example, evidence received by the Committee (and partially quoted above) noted that manufacturing businesses are 'finding it difficult to get any financial accommodation from the banks', however, that evidence goes on to state that 'GE Commercial Finance has really tightened its requirements'.¹³⁹
- 2.106 GE Commercial Finance is not a bank, it is a non-bank lender. Non-bank lenders have been hit particularly hard by the GFC. Their inability to raise reasonably priced money on wholesale funding markets has resulted in increased credit costs for their customers¹⁴⁰ and in some cases, non-bank lenders have exited the market altogether.¹⁴¹
- 2.107 Mutual ADIs (authorised deposit-taking institutions) are perhaps the most prevalent lending institutions in regional Australia.¹⁴² Mutual ADIs are financial institutions owned by their customers and include credit unions, building societies and friendly societies. Mutual ADIs rely heavily on deposits for funding in order to function but, over time, they have increased their mortgage lending 'by tapping securitisation markets' which 'virtually closed down' as a result of the GFC.¹⁴³
- 2.108 Mutual ADIs are active in regional Australia but they do very little business lending; however like the banks, mutual ADIs report that they have not contracted their business lending as a result of the GFC:
- ...commercial lending is not a major feature of our operations, but those who do it are particularly located. They have not reported to us that they have contracted their lending at all, but nor are they seeking to widely expand that lending either. Those who are

138 Mr Stephen Carroll, *Transcript 6 July 2009*, pp. 52-53.

139 Mr Lawrie Miller, *Transcript 22 April*, p. 18.

140 National Farmers' Federation, *Submission No. 41*, p. 6.

141 Mr David Bell, *Transcript 6 July 2009*, p. 47.

142 Abacus, *Submission No. 136*, p. 1.

143 Abacus, *Submission No. 136*, p. 4.

operating in the communities in which they have always operated and provided that commercial or small business lending are continuing to do so...¹⁴⁴

- 2.109 The availability of credit is vital to the continuing prosperity of the Australian economy. The Commonwealth Government, therefore, moved quickly at the onset of the GFC to support Australia's lending institutions during this period. On 28 November 2008, the Government implemented the Bank Guarantee Scheme for a period of three years to protect the funds of financial institutions and to engender confidence and stability in the banking sector.
- 2.110 Under this voluntary scheme, deposits over \$1m per customer and wholesale funding liabilities are guaranteed by the Government upon payment of a fee based on the credit rating of the institution. The lower the credit rating the higher the fee charged. Institutions such as banks with the higher AAA credit rating are charged a lesser fee than the lower rated credit unions and building societies. For example, institutions that are AAA to AA rated, such as banks, are charged 70 basis points to access the scheme. Lower A+ to A rated institutions are charged 100 basis points and BBB+ and below (and unrated) institutions are charged 150 basis points.
- 2.111 Although the Bank Guarantee Scheme is providing a level of stability and security across the banking sector, the Committee has heard concerns that the differential pricing structure has meant that mutual ADIs that have not opted to utilise the Government Bank Guarantee Scheme are finding it difficult to attract large deposits, because depositors are seeking institutions that have the security of the Government backing.¹⁴⁵
- 2.112 The Scheme also demands that users have a credit rating – something which most mutual ADIs do not have. The mutuals are concerned that an agency rating will become a requirement for them and if their rating is lower than a banks, competition may be stifled in the marketplace as consumers choose to work with higher rated agencies.¹⁴⁶
- 2.113 Competition, or the lack of it, is being cited by mutual ADIs as the primary concern surrounding the Government's Bank Guarantee Scheme. They argue that competition in the banking sector has diminished, with less market share being experienced by the credit unions, building societies and regional banks despite the departure of non-bank lenders from the market. Mutual ADIs report that it is the major banks that have

144 Mr Mark Degotardi, *Transcript 6 July 2009*, p. 36.

145 Abacus, *Submission No. 136*, p. 6.

146 Abacus, *Submission No. 136*, pp. 5-6.

increased their market share because of the cost benefit they derive from the Government's Bank Guarantee Scheme.¹⁴⁷

2.114 The Committee is aware that the Senate Economics References Committee tabled a report on 17 September 2009, in which differential pricing within the Government's Bank Guarantee Scheme was examined. In that report, the Senate Committee found that the markets were not pricing all guaranteed debt identically and therefore the Government should 'review the need to apply differential premia for ADIs with different ratings'.¹⁴⁸

2.115 The Committee also understands that the Government has advised the mutual ADI sector that its Bank Guarantee Scheme is 'under constant review'.¹⁴⁹ Representatives of the mutual ADI sector observe that:

...we are yet to see any movement, although we are actively making suggestions to the government about ways we believe funding could be adjusted to better serve the interests of competition.¹⁵⁰

2.116 Given the degree to which regional Australia relies on mutual ADIs, the Committee is concerned about the potential for decreased competition in the regional banking sector. Like its Senate colleagues, this Committee also encourages the Government to review its differential pricing structure within its Bank Guarantee Scheme.

2.117 Competition in the banking sector has suffered as a result of the GFC. As Treasury states, 'the global financial crisis has affected the competitive dynamics of the banking system':¹⁵¹

...with investor demand for residential mortgage-backed securities (RMBS) drying up in late 2007 and early 2008, smaller lenders have found it more difficult to raise funds with which to finance new lending at competitive rates of interest. As a result, from mid-2007, a number of smaller financial institutions were forced to exit the market, merge with stronger entities, or relinquish market share to entities with more diversified sources of funding.¹⁵²

147 Mr Mark Degotardi, *Transcript 6 July 2009*, p. 35.

148 Senate Economics References Committee, *Government measures to address confidence concerns in the financial sector – The Financial Claims Scheme and the Guarantee Scheme for Large Deposits and Wholesale Funding*, September 2009, p. 19.

149 Ms Louise Petschler, *Transcript 6 July 2009*, p. 34.

150 Ms Louise Petschler, *Transcript 6 July 2009*, p. 34.

151 Treasury, *Submission No. 167*, p. 1.

152 Treasury, *Submission No. 167*, p. 1.

- 2.118 Prior to the GFC, the securitisation markets allowed smaller lenders to ‘better manage their capital base and to continue to increase home lending and compete with the major banks.’¹⁵³ The GFC effectively closed these markets, and in response, the Government committed to investing up to \$16 billion in residential mortgage backed securities (RMBS) to ‘support continued competition from smaller authorised deposit-taking institutions and non-ADI lenders throughout the GFC’.¹⁵⁴
- 2.119 To ensure a continued supply of affordable credit for smaller lenders once the Government has completed its RMBS purchasing round, some participants of this inquiry have recommended the introduction of an Australian mortgage bond program or regional housing bond scheme similar to Canada’s Mortgage Bond (CMB) Program.¹⁵⁵ (A brief outline of the Program can be found in Appendix D).
- 2.120 Participants of this inquiry have argued that a similar scheme for Australia and perhaps regional Australia only, would assist Australians ‘to access home loans throughout economic cycles’.¹⁵⁶ It is suggested that an Australian program would operate in a similar fashion to the Canadian one, whereby an accredited lender (perhaps in regional Australia, say Bendigo Bank) writes loans (with very tight criteria) to home buyers. That lender would then take those loans and “warehouse” them with another facility – perhaps a larger lending institution. The Australian Government would then use those loans to create bonds, with a government guarantee attached, and sell them to investors. It is anticipated that the bonds would be insured by either a government or private insurer. The sale of the bonds to investors creates the funds which are made available to lenders to write more loans.¹⁵⁷
- 2.121 The argument for introducing a similar program in Australia focuses on creating greater competition in the lending market through the increased availability of funds for smaller lenders and the generation of lower costs for lenders and borrowers.¹⁵⁸ When queried on the Canadian Scheme and its implications for introduction in Australia, the Treasury advised the Committee that there is evidence which suggests that the Canadian

153 Ms Louise Petschler, *Transcript 6 July 2009*, p. 34.

154 Treasury, *Submission No. 167*, p. 3 & ABC News, *Swan announces \$8b mortgage market investment*, 11 October 2009.

155 Genworth, *Submission No. 157*, p. 4 & Abacus, Ms Louise Petschler, *Transcript 6 July 2009*, p. 34.

156 Genworth Financial, *Submission No. 157*, p. 4.

157 Mr Peter Hall, *Transcript 6 July 2009*, p. 12.

158 Genworth cites a KPMG audit of Canada’s scheme which notes decreased lender and borrower costs as a result of the scheme, see Genworth Financial, *Submission No. 157*, p. 5.

scheme has resulted in cost savings for larger lenders.¹⁵⁹ Treasury noted however, that there has been no substantive evidence to suggest that Canadian mortgage borrowers have benefited from reduced interest rates.¹⁶⁰ Indeed, the Reserve Bank of Australia (RBA) notes that the Canadian scheme did not stop Canadian mortgage interest rates from rising following the onset of the GFC.¹⁶¹

2.122 Most importantly, the RBA found evidence that:

...smaller lenders may have retained the small cost-savings from the program as increased margins rather than passing them on to borrowers.¹⁶²

2.123 The Treasury has also raised concerns that a similar scheme in Australia could have 'the potential to create moral hazard' because a higher than optimal degree of risk taking may be encouraged.¹⁶³ Furthermore, permanent government support for the RMBS market 'has the potential to distort price signals in financial markets and the efficient allocation of capital'¹⁶⁴ meaning a less risky investment would be more attractive to investors. Evidence from the Canadian scheme indicates that the government-backed securities sector has grown at the expense of the corporate and securitisation sectors of the Canadian bond market.¹⁶⁵

2.124 Of course, the other way to drive down cost is through competition. ABACUS believes that the introduction of a Canadian mortgage bond style scheme in Australia would assist in supporting competition in the banking sector – particularly in regional Australia.¹⁶⁶ Evidence regarding Canada's scheme as an effective facilitator of competition is mixed. Evaluation of the scheme reveals that [the scheme]:

...increased the availability of mortgage funding for smaller lenders in the five years following its introduction in 2001...[and]...played an important role in maintaining smaller lenders' access to funds throughout the turbulence in international

159 *Canada Mortgage Bonds Program Evaluation: Final Report*, prepared by KPMG LLP, June 2008, cited in Treasury, *Submission No. 167*, p. 5.

160 *Canada Mortgage Bonds Program Evaluation: Final Report*, prepared by KPMG LLP, June 2008, cited in Treasury, *Submission No. 167*, p. 5.

161 RBA cited in Treasury, *Submission No. 167*, p. 5.

162 RBA cited in Treasury, *Submission No. 167*, p. 5.

163 Treasury, *Submission No. 167*, p. 6.

164 Treasury, *Submission No. 167*, p. 7.

165 Treasury, *Submission No. 167*, p. 7.

166 Ms Louise Petschler, *Transcript 6 July 2009*, p. 34.

capital markets, and may have even facilitated the entrance of new smaller players over this period.¹⁶⁷

- 2.125 Conversely, the Treasury notes that 'Canada continues to have a highly-concentrated banking sector...notwithstanding two decades of government intervention'.¹⁶⁸ When the Committee queried smaller lenders about declining competition in regional Australia, it was advised that Australian mutual ADIs had had a marginal decline in market share since the onset of the GFC, but had not been able to take up any of the excess capacity that was available when non-bank lenders exited the market.¹⁶⁹ It is suggested that Australian mutual ADIs have been growing but not at the rate of the larger banks.¹⁷⁰
- 2.126 The Committee also notes comments by the RBA made in a submission to the House of Representatives Standing Committee on Economics regarding the need for government intervention in the RMBS market to foster competition:

While it is true that lenders relying on securitisation have lost market share in recent months, it has always been the case that some phases of the economic cycle favour some forms of financing more than others. Securitisation has been strongly favoured over the previous five years of very low global interest rates; now it is at a disadvantage. Our view of recent events is that they are cyclical in nature rather than a permanent change to the structure of the market, in the sense that when market conditions settle, securitisation will pick up again. As such, it would be premature at this stage to embark on proposals such as the setting up of new government bodies to support certain forms of financial activity.¹⁷¹

- 2.127 In analysing this issue, the Committee is cognisant of the needs of regional Australians. **The Committee would only support the introduction of such a scheme in Australia if there was clear evidence that regional Australians were worse off because of smaller lenders' access to funds (resulting in higher mortgage borrowing costs for regional Australians) over the long-term economic cycle.**

167 *Canada Mortgage Bonds Program Evaluation: Final Report*, prepared by KPMG LLP, June 2008, cited in Treasury, *Submission No. 167*, p. 4.

168 Treasury, *Submission No. 167*, pp. 4-5.

169 Mr Mark Degotardi, *Transcript 6 July 2009*, p. 35.

170 Mr Mark Degotardi, *Transcript 6 July 2009*, p. 35.

171 RBA, *Submission No. 44*, pp. 2-3, House of Representatives Standing Committee on Economics *Inquiry into competition in the banking and non-banking sectors*.

Accessing credit in regional Australia

- 2.128 Most businesses need credit. In a growing economy the demand for credit is often driven by a desire for growth. In a slowing economy credit is required for cash flow.¹⁷² This downturn has been somewhat unique because the GFC has resulted in a general lack of liquidity which has impacted the availability and cost of credit for individuals and business. This section will specifically examine credit issues for business.
- 2.129 Throughout this inquiry, the Committee has received evidence suggesting that businesses in regional Australia are experiencing difficulties accessing credit.¹⁷³ The NSW Business Chamber, for example, conducted a survey of its members, which noted that in the three month period to March 2009, 30 per cent of respondents, most of whom are in regional NSW, thought it had become harder to access credit.¹⁷⁴
- 2.130 The difficulty lending institutions have faced accessing wholesale credit markets has clearly had a flow-on effect for businesses, as available credit has constricted. The GFC has also curtailed lenders' appetite for risk, and as a result, 'some loans that would have been offered prior to the GFC are no longer readily available.'¹⁷⁵
- 2.131 Banking institutions provide credit, but so too do other businesses and during this crisis, suppliers have reduced their payment terms thereby putting further pressure on regional businesses.¹⁷⁶ Where lenders have been willing to provide credit, the cost has also increased.
- 2.132 The increased cost of credit in the form of higher interest rates or increased collateral has been a common experience facing business owners in regional Australia. Thirty three per cent of respondents to a NSW Business Chamber's survey found that 'credit had got more expensive to access'.¹⁷⁷ The Committee has also heard that interest rates being charged are so high that the viability of some projects is threatened.¹⁷⁸
- 2.133 Credit costs for businesses have increased because lending institutions are changing the way they handle risk¹⁷⁹ and because some non-bank lenders have exited the market:
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172 Mr Richard Snabel, *Transcript 14 August 2009*, p. 36.

173 Tamworth Regional Council, *Submission No. 9*, p. 1.

174 NSW Business Chamber, *Submission No. 122*, p. 3.

175 National Farmers' Federation, *Submission No. 41*, p. 5.

176 Mr Alan Berechree, *Transcript 20 April 2009*, p. 43.

177 NSW Business Chamber, *Submission No. 122*, p. 3.

178 Mr Lee Whitely, *Transcript 20 April 2009*, p. 24.

179 Mr Richard Snabel, *Transcript 14 August 2009*, p. 37.

Those non-bank lenders who would have, say, lent money to people who we would not have now exited. That means there are a group of businesses and institutions that are not getting money. That is because prior to the global financial crisis they would not have met banks' risk profiles and banks would not have lent to them.¹⁸⁰

- 2.134 Australian Bureau of Statistics (ABS) research shows that business lending fell by just under 15 per cent between January and February this year, which may in part be attributed to banks tightening their lending criteria.¹⁸¹ Although the banks and other ADIs such as credit unions and building societies have asserted that they are still lending,¹⁸² the experience of business owners in regional Australia seems to contradict this:

Certainly they tell us that they are finding it very difficult to get any financial accommodation from the banks since the global financial crisis became evident. The banks say that that is not the case; that there is plenty of money around, and they will lend. But the bank staff themselves, on a confidential basis, will tell you that their lending criteria have changed dramatically and they require a much more rigorous assessment of projects, particularly development projects.¹⁸³

- 2.135 The higher cost of obtaining credit has not only limited the capacity of many small and medium sized businesses to weather this global downturn, but in some cases has been the catalyst to cease trading. The Government has acknowledged this and taken the following action:
- establishment in March 2009 of a small business complaints clearing house within the office of the Minister for Small Business, Independent Contractors and the Service Economy. Complaints about access to and cost of bank finance are referred for resolution through the Australian Bankers Association to senior management at the particular bank concerned;¹⁸⁴ and

180 Mr David Bell, *Transcript 6 July 2009*, p. 47.

181 ABC News, *Big drop in business lending*, 15 April 2009, <http://www.abc.net.au/news/stories/2009/04/15/2543093.htm>, accessed 1 September 2009.

182 Mr David Bell, *Transcript 6 July 2009*, p. 47 & Mr Mark Degotardi, *Transcript 6 July 2009*, p. 36.

183 Mr Laurie Miller, *Transcript 22 April 2009*, p. 18.

184 Media release by the Hon Dr Craig Emerson, Minister for Small Business, Independent Contractors and the Service Economy, 'Banks to maintain funding to small business sector', 6 March 2009.

- activation from 1 September 2009 of Ozcar, a taxpayer-funded financing scheme to provide liquidity support to car dealer financiers.¹⁸⁵
- 2.136 The Committee was advised by the Australian Bankers Association (in July), that the use of the small business complaints line in the Minister for Small Business' office has been 'extremely low...somewhere in the order of 57 to 60 contacts', which would indicate that 'either people do not know about it or that the incidence of credit problems is low'.¹⁸⁶
- 2.137 Given the volume of anecdotal evidence received by the Committee suggesting that credit has become more difficult to access, the Committee is inclined to believe that people have not been adequately informed about the existence of the Small Business Credit Complaints clearing house phone line. When queried about the lack of knowledge in the community regarding the complaints line, the Department of Innovation, Industry, Science and Research conceded that more publicity should lead to a greater level of response.¹⁸⁷ Greater response is more likely to occur now that the complaints line is being made accessible through the Small Business Support Line, which acts as a link to information and referral services on a wide range of business issues.¹⁸⁸
- 2.138 Awareness of government assistance was also an issue raised in relation to Ozcar. Business representatives in Broken Hill advised the Committee that car dealers there found information about Ozcar 'not easily understood'.¹⁸⁹ The Committee understands that it will always be a challenge for government to ensure that information about its programs is being adequately communicated and understood in the community. However, communication is an important component of any government program and therefore, the Committee expects that the Government is making every effort to educate the public about the assistance available to them, particularly during a period of crisis such as currently being experienced.
- 2.139 The need for a program such as Ozcar illustrates the credit problem facing businesses throughout Australia. Ozcar was designed to assist car dealers as non-bank lenders such as GE Credit exited the market after the onset of the GFC. When the Australian Bankers' Association advised the
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185 Media release by the Hon Wayne Swan, Treasurer, 'Activation of car dealership financing special purpose vehicle ('Ozcar')', 28 August 2009.

186 Mr David Bell, *Transcript 6 July 2009*, p. 47.

187 Ms Sue Weston, *Transcript 14 August 2009*, p. 37.

188 Business.gov.au, *Small Business Support Line*, 3 September 2009, <http://www.business.gov.au/Business+Entry+Point/News/Small+Business+Support+Line.htm>, accessed 4 September 2009.

189 Mr Robin Edgecumbe, *Transcript 7 July 2009*, p. 16.

Committee that their members have ‘continued to lend despite tight and volatile credit markets’¹⁹⁰ this does not contradict evidence the Committee has received around Australia suggesting that credit has been hard to access. Credit from traditional lending institutions, such as banks and other authorised ADIs may have increased in cost and they may be less likely to assume greater risk, but it is the lack of alternate credit sources, which may account for the apparent lack of available credit in regional Australia.

Business and downturns

2.140 Many business operators in regional Australia have never run a business during a downturn or have never experienced one of this magnitude.¹⁹¹ Suddenly, they have been forced to respond to a rapid decline in demand for products and services as well as a sudden lack of available credit which has traditionally assisted businesses through cyclical downturns or ensured ongoing cash flow:

Previously when we have been through these experiences before it has not affected the financial institutions – they have always been willing to see businesses through by extending their overdrafts and things like that because they know that, in a cycle of about five years or so, the zinc and lead prices will go through their normal cycle and people will be able to repay their commitments. But this time it is more than that and financial institutions are very reluctant to come to the aid of businesses.¹⁹²

2.141 The response from business in regional Australia has varied. Each business is attempting to survive in its own way with some common trends emerging. Labour cost is often the first issue to be examined and certainly employment figures suggest that businesses are reducing their labour force and/or the hours worked.¹⁹³ However, some are looking to future-proof their business by ‘re-negotiating supply terms, implementing staff training and increasing marketing outputs’.¹⁹⁴

2.142 Some of this activity is occurring independently, but the Committee has received sufficient evidence to suggest that many businesses in regional

190 Mr David Bell, *Transcript 6 July 2009*, p. 44.

191 Mrs Louise Southall, *Transcript 6 July 2009*, p. 59 & City of Wangaratta, *Submission No. 23*, p. 6.

192 Mr Robin Edgecumb, *Transcript 7 July 2009*, p. 15.

193 ABC News, *Jobless figures weaken rate rise case*, 10 September 2009.

194 Advance Cairns, *Submission No. 160*, p. 2.

Australia are seeking and receiving advice from business advisory services:

...there is a real hunger out there for information about how to focus on numbers, in particular – keeping an eye on your cash flow, keeping an eye on making sure that you are paying bills and bills are coming. There are those sorts of issues. That has been a large part of our events program for this year, and it has been very popular with our members.¹⁹⁵

2.143 Government has a strong role to play alongside industry groups in assisting regional businesses through this period. This chapter has noted some of the Commonwealth Government programs which provide business mentoring and support. Some, such as Enterprise Connect and the Business Enterprise Centres (BECs), were not designed as a response to the GFC, yet have taken a direct role in assisting firms during the crisis.¹⁹⁶ For example, BECs and other registered business organisations have received additional funding for the Small Business Advisory Service which is intended to ‘enhance access to information and advice on issues important to sustaining and/or growing small business in response to the current global financial crisis’.¹⁹⁷

2.144 The Small Business Advisory Service is being complemented by the Small Business Support Line which:

...provides small business with advice and to put them in touch with specialist advisers on matters such as obtaining finance, cash flow management, retail leasing, personal stress and hardship counselling and promotion and marketing advice.¹⁹⁸

To date, over 2220 people have utilised the Small Business Support Line and 90 per cent of those surveyed have expressed satisfaction with the service.¹⁹⁹

2.145 Likewise, Enterprise Connect offers a range of business services (noted in Submission 169) and through the Innovative Regions and Remote Enterprise Centres, supported by Enterprise Connect, regional and remote Australia also has access to business support services.²⁰⁰

195 Mrs Louise Southall, *Transcript 6 July 2009*, p. 59.

196 Department of Innovation, Industry, Science and Research, *Submission No. 169*, p. 3.

197 Ms Sue Weston, *Transcript 14 August 2009*, p. 28.

198 Ms Sue Weston, *Transcript 14 August 2009*, p. 28.

199 Minister Emerson, Media Release, *Small business support line get the thumbs up*, 20 October 2009.

200 Department of Innovation, Industry, Science and Research, *Submission No. 169*, p. 2.