

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 356

Topic: Inquiry into Access of Small Business to Finance

Hansard Page: Written

Senator EGGLESTON asked:

1. Why has Treasury not submitted to the Senate Economic Committee's Inquiry in to Access of Small Business to finance?
2. Was there a directive from Treasurer or his office not to submit to the Inquiry?
3. The Minister for Small Business said at a recent meeting in regards to small business access to finance, 'if we are talking about perception of the situation, frankly I don't think we can ever fix it' and 'lets develop policy for the reality and not for the perception'. Do you agree that there are differences between reality and perception regarding the difficulties small businesses are experiencing accessing finance?

Answer:

1. *Why has Treasury not submitted to the Senate Economic Committee's Inquiry in to Access of Small Business to finance?*

Treasury made a submission to the Senate Economics Committee's Inquiry into the Access of Small Business to Finance on 23 April 2010, and appeared before an Inquiry Hearing on 10 May 2010. The submission is publicly available on the Economics Committee website.

2. *Was there a directive from Treasurer or his office not to submit to the Inquiry?*

No. As noted above, Treasury made a submission to the Inquiry on 23 April 2010.

3. *The Minister for Small Business said at a recent meeting in regards to small business access to finance, 'if we are talking about perception of the situation, frankly I don't think we can ever fix it' and 'lets develop policy for the reality and not for the perception'. Do you agree that there are differences between reality and perception regarding the difficulties small businesses are experiencing accessing finance?*

The experiences of businesses in different sectors, and even individual small businesses within a sector, are likely to vary widely. Treasury's submission to the Senate Inquiry into Access of Small Business to Finance noted that there are signs that small businesses in general continue to have access to credit. The cost of credit as reflected in the RBA's weighted average rate on credit outstanding to small business peaked at 10.1 per cent just prior to the height of the financial crisis. Since then, the cost of credit has fallen. According to the RBA, the rate on credit

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

outstanding to small business was 200 basis points lower, at 8.1 per cent, based on the most recent data release in March this year.