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Reporter: Alexandra Kirk

Extract:

ALEXANDRA KIRK: The Opposition's critical of the way the Commonwealth's running up bigger deficits. But the Australian Industry Group says the Government doesn't really have a choice under the current circumstances.

Chief executive, Heather Ridout says the Budget has number of very hard choices facing it but also must do many functions.

HEATHER RIDOUT: We haven't seen the worst of it; we haven't seen the heights of unemployment, we haven't seen the extent of business failures reached. So, there's a lot to be done in that area.

We also need to foster confidence in the future and our capacity to come out of this downturn in a strong state and maximise taking advantage of the upturn when it comes.

ALEXANDRA KIRK: Heather Ridout notes the full impact of cash handouts and interest rate cuts are yet to be seen. She's pushing, instead, for more support for small and medium sized enterprises in next month's Budget to boost their cash position, cash being the operative word here.

HEATHER RIDOUT: Well I think they could for example provide a rebate for losses this year which would put - up to a limit obviously - which would put some cash in the hands of business to give them support to keep their businesses operating and that's really the core issue and if that's not the measure they need to find a measure that will achieve that.

I think they also need to put support under apprenticeship commencements because they're starting to fall off quite markedly. That problem will come down the track to bite us if we don't deal with it.

ALEXANDRA KIRK: So you're talking about government subsidies for putting on apprentices?

HEATHER RIDOUT: Yes and government subsidies to frontload their training and to subsidise their wages at least for the first year...

ALEXANDRA KIRK: To what extent?

HEATHER RIDOUT: Quite a large extent. I think we'd need to see a lot of support for the early training part, which can be frontloaded, so it can go on for three to six months and then we would see the need for a wage subsidy of between 30 and 50 per cent to make it attractive to employers to take them on at the end of that time.

ALEXANDRA KIRK: Now you're asking for a lot, but do you think the Government

should plunge the Budget further into deficit.

HEATHER RIDOUT: Look I don't think the Government has much option but to go into debt because it's in deficit and we're going to have to live with that. The most important thing is to make sure we've got a credible plan for exiting it.

And that plan might go well beyond the forward estimates, but I think we do need to have regard to making sure in the Budget there's a plan to get us out of it. And I think that needs to be a credible plan - well founded, well costed and well argued.

ALEXANDRA KIRK: And should there be an upper limit for the deficit?

HEATHER RIDOUT: Look, I think the advice the Government will get will be around that, but Australia is in good shape to run a deficit, we're got very good national accounts, got a low debt level, we've got scope to run a deficit but we need to make sure it's manageable.

ALEXANDRA KIRK: Are you worried that people might be spooked by a big deficit?

HEATHER RIDOUT: Look I think people won't be spooked by it because they understand a deficit's necessary but they'll really want to make sure it's seen as temporary. They will need to see an exit strategy with very significant signals of savings down the track.

LISA MILLAR: Heather Ridout, chief executive of the Australian Industry Group, speaking to Alexandra Kirk.