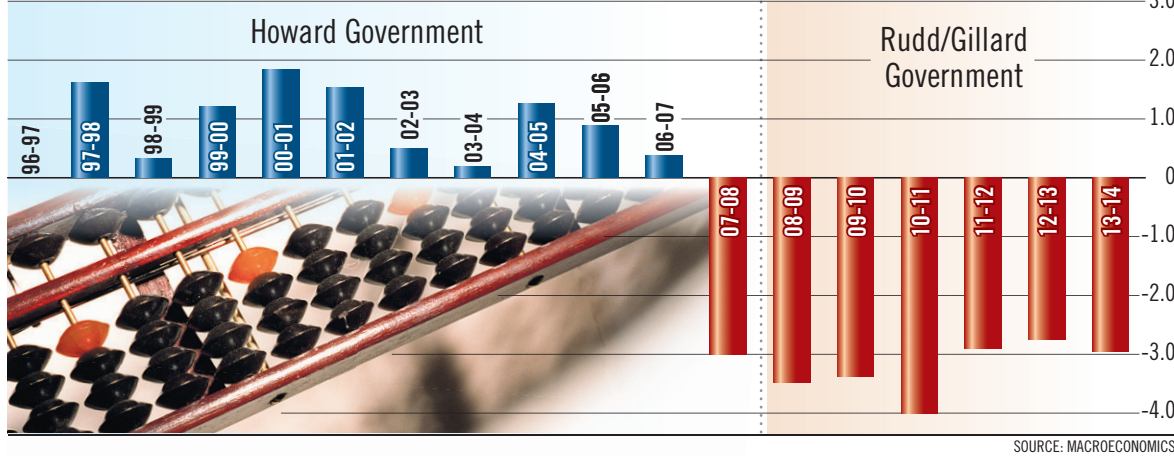


In the red

Historical structural budget balance (% of GDP)



SOURCE: MACROECONOMICS

PM defends trickle of cash

Mathew Dunckley

Prime Minister Julia Gillard has defended her government's approach to reform after revealing there would be a two-year gap from when money was promised to train more health professionals to when it started to flow fully.

In November 2008, the Council of Australian Governments approved a \$1.6 billion package to address workforce problems in health. Yesterday Ms Gillard said \$425 million of that money would be used to fund training places for 12,000 medical students from next year. The government had previously announced \$280 million towards new projects.

Ms Gillard defended the rate of spending even though less than half of the money promised in 2008 had yet to be committed. She said the government's approach to health reform had been "methodical, delivered day by day, week by week, piece by piece to make a difference".

Health Minister Nicola Roxon said spending for the five-year plan was "absolutely on time". "All of these investments take time, take planning and take care," she said.

"I make no apology for us making sure our money is going to be well spent, well-targeted, that we test every project and ensure it is going to deliver additional capacity," Ms Roxon said. "This sort of significant reform does take time to deliver properly but we are on target."

Opposition health spokesman Peter Dutton said the announcement showed the Gillard government was failing to deliver just like its predecessor. "Announcing in 2010 that the government will spend in 2011 money allocated in 2008 is the sort of spin that Kevin Rudd was for," Mr Dutton said.

Australian Medical Association president Andrew Pesce said the funding would only deliver results if it was linked with training for graduates. "We now need to see co-operation between governments to guarantee intern, pre-vocational, vocational training for these students after they graduate," Dr Pesce said.

Meanwhile, the Prime Minister also backed the spending of billions of dollars on the Building the Education Revolution (BER) despite the economic recovery.

The Victorian Auditor-General reported last week that by June 30, the state had spent only 39 per cent of the \$2.54 billion allocated to it under the BER program.

The state government had claimed it had taken time to get value for money and Ms Gillard said if re-tendering was required, then it was understandable that would take longer.

She also said the non-residential building sector was still weak and the BER was helping to underpin jobs.

"It is apparent that the BER is holding up the levels of non-residential construction. You could not look at those figures and say that without the BER we would be at normal or average construction levels," Ms Gillard said.

Figures released yesterday by the Australian Bureau of Statistics showed the value of non-residential completed building work on a seasonally adjusted basis increased by 23.6 per cent over the year to the end of June.

Over the June quarter, the value of work increased by 2.8 per cent. The figures showed growth in private-sector work over the quarter remained weak at about 1 per cent.

Wong sharpens spending axe

John Kehoe

Finance Minister Penny Wong has put federal government "spending ministers" on notice that she will take a hard line against funding new policies because they could come at the expense of more worthy proposals in the future.

Senator Wong gave the warning in her first official speech as Finance Minister yesterday, as the government prepares to frame next year's budget. This would require "hard decisions" to ensure expenditure restraint, she said.

After talking up the government's budget management credentials, she sidestepped questions about how she would deal with the budget's structural deficit. This is the budget balance after removing the effect of windfall revenue gains from the record terms of trade spurred by commodity prices.

Treasury calculates the budget will be in structural deficit until 2018-19 and the Finance department's Red Book says that "further structural improvements" will be needed to reduce existing public debt and deal with the ageing population.

The advice was in line with a

report published yesterday by Macroeconomics, which said the government was relying on 50-year high terms of trade to return the budget to surplus and that its 2 per cent cap on the growth in real spending would not be sufficient to put the budget on a sustainable footing.

Senator Wong told reporters public finances were in good shape compared with those in the rest of the world and the government would

We do have very strict spending limits.

Finance Minister Penny Wong

deliver a cash surplus in 2012-13.

"We do have very strict spending limits, they are tough spending limits and they will be limits below what Peter Costello and John Howard achieved."

Real spending growth averaged about 3.6 per cent a year in the final five years of the Coalition government, compared with Labor's 2 per cent target when the economy grows above trend.

Earlier, in a speech to a public sector governance conference hosted by the Australian Institute of

Company Directors in Canberra, Senator Wong said the government and Parliament, including the independents, would need to have a mature dialogue about spending priorities and make hard decisions for long-term prosperity.

"I have been told by many that the job of the Finance Minister is solely to say 'no'," she said. "This is a large part of the job. But it is also to work for better decisions and reminding others that a spending decision today closes off another, possibly more worthy, decision tomorrow." She emphasised the budget would be framed not just for the short term, but that it would be "vital to locking in sustainable finances for this generation and coming generations".

After her speech, the executive director of the Canadian Employment Insurance Financing Board, Phil Charko, said Canada's independent parliamentary budget office had had an "enormously beneficial" impact on public policy and government finances. The Gillard government has promised to introduce a budget office so that MPs can receive advice on policy costings and public finances.

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THANK YOU FOR RIDING TO WORK WITH US.

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The City of Sydney would like to acknowledge and thank the following organisations for their support for National Ride to Work Day and helping us to realise Sustainable Sydney 2030.

Clover Moore

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