Australian Labor leaders plan “third wave” of free-market measures

Mike Head
3 April 2008

At a Council of Australian Governments (COAG) meeting on March 26, Prime Minister Kevin Rudd and the eight state and territory leaders, all from the Labor Party, formally adopted a sweeping agenda to implement a new “wave” of free-market measures. These measures will inevitably mean an intensification of attacks on jobs, wages, workplace conditions, safety rules and social services.

While the media highlighted the claims of the Labor leaders to have made “historic” agreements on public hospital funding and water use in the Murray-Darling river system, the COAG communiqué emphasised that the health and water deals were only part of a “comprehensive new microeconomic reform agenda”.

Rudd came to the meeting under pressure from the corporate and media elite to deliver on the promises he made before last November’s federal election to use Labor’s unprecedented “wall to wall” occupancy of office in all federal, state and territory governments to cut business costs, remove regulatory “red tape” and drive up labour productivity.

In the run-up to the election, Rudd won the backing of key sections of business, which were increasingly critical of the Howard government’s failure to carry through further restructuring, following the extensive de-regulation and privatisation programs pursued by the Hawke and Keating Labor governments from 1983 to 1996. In particular, Rudd pledged to use “cooperative federalism” with his state counterparts to dismantle state-based regulations and schemes that major corporations regarded as barriers to their operations.

According to the communiqué, “COAG has agreed [to] a far reaching and accelerated business regulation reform agenda across 27 areas of regulatory reform, to enhance productivity and workforce mobility by cutting the costs of regulation.” “Regulatory reform” refers to freeing companies from a range of rules, including on workplace and consumer safety, urban planning and environmental protection. “Enhance productivity” means driving up the rate of exploitation of workers’ labour power, while “workforce mobility” is largely about ensuring employers’ access to more freely-available supplies of lower-cost labour on a national basis.

The 27 nominated fields include environmental, building and development approval processes, rail safety regulation, product safety, food regulation and mine safety. Each of these relates directly to the protection of working people and their living conditions in the face of the demands of the financial markets for ever-higher investment returns.

Few details have yet been provided of the plans in each of the 27 areas. Instead, deadlines have been set for the adoption and implementation of reform proposals over the next few years. However, the content of the measures being prepared can be seen from the meeting’s decision to give “top priority” to “harmonise occupational health and safety laws”. State and territory leaders have agreed to report back on this item by July.

“Harmonise” is a euphemism for bringing safety protections for employees into line nationally—on the lowest level. The March 27 *Australian Financial Review* editorial welcomed the announcement, saying it “should make it less onerous for all businesses operating in the high-water mark state of NSW,” where employers are sometimes strictly liable for injuries suffered on the job.

The communiqué also unveiled “sweeping reforms to the architecture for Commonwealth-State funding arrangements”. Federal funding of basic services will become conditional on performance indicators designed to cut costs and accelerate outsourcing. Canberra’s “specific purpose payments” (SPPs) will be subjected to National Partnerships (NP) agreements, which will “sharpen the incentives for reform”.

After Federation in 1901, the states—former British colonies—retained control over the provision of most government services, yet the Commonwealth increasingly dominated revenue sources and today collects 80 percent of taxation. Although the states were guaranteed income from the regressive Goods and Service Tax, introduced in 2000, SPPs constitute nearly 40 percent of federal grants to the states. In recent years, the Howard government made greater use of conditions on SPPs, designed to enforce its policy objectives, but the proposed regime will systematically impose benchmarks on all SPPs.

According to the communiqué, “path breaking” new Intergovernmental Agreement on Commonwealth-State financial arrangements will be finalised by the end of 2008 “following extensive work by Treasurers and COAG Working Groups to settle outputs, outcomes, reforms, performance indicators and funding arrangements”. In other words, federal finance across the board will the tied to cost-cutting measures in essential public services that are already severely stressed.

Under the heading of infrastructure, the communiqué spoke of making reforms that were “critical to enhance Australia’s future economic performance”. Essentially, the aim is to exploit the decayed condition of basic social facilities, such as roads, railways, water, energy, schools and hospitals, as the pretext for introducing “Public Private Partnerships”, a form of privatisation. “Best practice guidelines” for PPPs will be drawn up by October.

Likewise, the banner of “climate change” was adopted to push for the completion of national market trading schemes to replace the former water, gas and electricity utilities, so that these services are opened fully to private operators, with consumers inevitably forced to pay higher prices.

The communiqué referred to the introduction of an emissions trading scheme as "the most significant economic and structural reform undertaken in Australia since the trade liberalisation and financial market reforms of the 1980s". It stressed the urgency of providing "consistency for investors looking to support Australia's renewable energy industry" through a harmonised approach to "feed in tariffs"—i.e. higher household charges.

The Labor leaders also committed themselves to renew the National Competition Policy, which was adopted by the Keating government in 1992 to drive a so-called "second wave" of "reform"—featuring privatisations, outsourcing, "user pays" measures and public sector job-shedding. Labor's "first wave", in the 1980s, focussed on de-regulating finance, trade and working conditions to meet the demands of business, laying the basis for the greatest redistribution of social wealth in Australian history from the working people to the corporate elite.

The latest blueprint is designed to meet the demands of the corporate boardrooms for a new offensive, after what is now described as the "wasted" years of the Howard government. Speaking to the media after the COAG meeting, Treasurer Wayne Swan predicted a "third wave" of microeconomic reform, while Finance and Deregulation Minister Lindsay Tanner said the plans provided a "unique opportunity to progress a reform agenda that stalled under the Howard government".

At the same time, the Labor leaders are clearly nervous about the response of working people once this program starts to take effect. The communiqué contained several sops calculated to soften opposition and claim that the measures will bring "real benefits" for ordinary people and the poor. For example, the document spoke of tackling homelessness and "closing the gap" of indigenous disadvantage. Yet, the proposals were puny—$150 million for 600 new homes for homeless people and the provision of 48,000 dental services to indigenous people over four years.

For all the hype about the "historic" health care and water deals struck at the COAG meeting, both agreements postponed the most critical decisions. Despite the chronic under-funding of hospitals, the next five-year federal-state healthcare agreement was put off for a year, and will not commence until July 2009.

In the interim, the Rudd government offered a federal funding increase of only 10.2 percent for the 2008-09 financial year, which by itself will not cover the soaring costs of health care. In return, the state and territory leaders agreed to "move to a more nationally-consistent approach to activity based funding for services provided in public hospitals". While the language was cautious, this means adopting the case-mix funding model first introduced in Victoria by the Kennett government in 1993. The *Australian's* editorial declared: "The ultimate test of new cooperation among states on health funding will come in their ability to adopt a national case-mix system...."

Case-mix formulae use financial incentives to push hospitals to reduce patients' length of stay (LOS), in order to accelerate the rate at which patients are discharged from hospital. In Victoria, a 1998 study, based on interviews with senior health practitioners providing acute health services in hospital wards found strong evidence that case-mix compromised medical treatment, with hospitals admitting patients according to financial considerations, rather than clinical need.

Prime Minister Kevin Rudd emphasised that the next five-year healthcare agreement would include performance indicators. Previously, he has threatened to call a referendum to strip the states of their powers to run hospitals unless they agree to such benchmarks.

To address severe shortages of nurses and doctors, COAG agreed in principle to the allocation of 50,000 vocational and training places over three years, including in nursing, emergency care and allied health occupations. Details of the pay rates and other conditions for the Rudd government's proposed traineeships have yet to be released. But rather than redressing the nurse shortage, which has been caused by poor pay and conditions, the plan will allow lower-paid trainees to be used to plug gaps in services.

With regard to water supplies in the Murray-Darling basin, which have been devastated by drought, compounded by water-intensive rice and cotton farming and other large-scale agri-businesses, the COAG agreement backs away from the Howard government's demand that the three affected states—Queensland, NSW, Victoria and South Australia—refer their powers to Canberra. Instead, the state and federal governments will share control, with existing water allocation plans preserved until 2019. Scientists have warned that this timetable might be too late to save the ailing river system.

Of the $10 billion to be spent on the plan over 10 years, $6 billion will be spent on lining irrigation channels to reduce wastage, while some $3 billion will be used to buy out "non-viable or inefficient irrigators". Invariably, small farmers will lose out, accelerating a process already well under way. Through a water trading market established in 2004, financially-stressed farmers are under constant pressure to sell the "water rights" attached to their properties, leading to the concentration of water ownership in fewer hands.

Editorials in the *Australian Financial Review* and *Australian* cautiously welcomed the "symbolic breakthroughs" on water and health as a "first step" to delivering on Labor's election pledges to business. At the same time, the *Australian* warned: "Mr Rudd will eventually run out of totemic issues such as the Murray-Darling scheme that allow him to clearly demonstrate success where Mr Howard failed. He will then have to deliver on the real reform issues that require the stick, not the carrot. As such, the hard yards still lie ahead."

It was a none-too-subtle reminder that Murdoch's media outlets backed Labor's election last year because Rudd attacked Howard from the right, for retreating from the free market program of the Hawke and Keating years. The editorial was a warning that Rudd must prove that he can do the "hard yards", that is, impose this renewed offensive regardless of the inevitable opposition that will develop in the working class.