Australia: “Lefts” called in as NSW Labor government implodes

“Lefts” installed to impose deeper cuts

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In unprecedented scenes last week, the deeply unpopular Labor government in the state of New South Wales publicly imploded. On Friday, Morris Iemma became the first reigning premier to be removed by the Labor Party in its 117-year history. By the end of the day, a host of cabinet ministers had been purged as well, among them Treasurer Michael Costa. Deputy Premier John Watkins, who saw the writing on the wall, had quit two days earlier.

The spectacular collapse of Iemma’s government is the product of a long-festering economic crisis, combined with mounting public disaffection. After 13 years in power, Labor has run essential infrastructure and services into the ground—particularly public health, education, housing and transport.

The immediate trigger was Iemma’s failure to push through parliament a $10 billion sell-off of the state’s electricity generation and retail industry, which he and Costa claimed was necessary to fund everyday services and prevent power blackouts within the next few years. In the face of overwhelming public opposition, and in defiance of a party conference vote, the government had openly courted and relied upon big business and the Liberal-National opposition to support the privatisation bill.

The Liberals, however, pulled out at the last minute, nervous about the popular backlash, particularly in rural areas, where the National Party has its base. Iemma immediately fell back on a “Plan B” to begin the process by selling the electricity retail companies, which does not require legislation. But the financial markets reacted adversely, with Standard and Poor’s putting the state on a negative credit watch, threatening its AAA rating.

The power privatisation debacle is simply a symptom of a much deeper malaise, which has begun to surface throughout the country, centring on the breakup of the protracted economic boom that has been fuelled by the growth of mining and energy exports to China. Since 1995, when Labor came to office in NSW, the government has rested on windfall tax revenues, notably from real estate sales and property developments, while postponing urgently needed infrastructure spending. Schools, hospitals, trains and roads have been left to rot, along with the provision of even the most basic services, such as electricity and water.

At the same time, more and more facilities have been privatised or part-privatised, or subjected to market dictates at the expense of jobs and conditions. Nearly all the major roads built during this period, for example, have been private toll roads, while major hospitals have become “public-private partnerships”. NSW, like other states, has become part of a national power market, initially established by the Keating government, exposing the state-owned but corporatised entities to the same market forces as private companies.

Iemma’s ouster is a second desperate attempt to save the government by turning to a “new face”. The premier was sacked by the same right-wing machine that installed him, just over three years ago, as a little known figure, in a bid to distance the government from his predecessor Bob Carr, who jumped ship after 10 years to take up lucrative corporate consultancies. Iemma barely managed to win the 2007 state election, largely due to the prevailing hostility to the then federal Liberal-National Coalition Howard government, but in recent months his opinion poll rating had fallen to a record low of 29 percent.

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Both Iemma’s replacement, Nathan Rees, another virtually unknown junior minister, and the new deputy premier, Carmel Tebbutt, were drafted from Labor’s “Left” faction. For the first time in NSW, the party’s right-wing machine, which controls the numbers in the parliamentary caucus, is

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openly relying on two “lefts” to lead a Labor government.

The reason for their selection became apparent almost immediately: Labor will impose even more sweeping cuts to government spending, public sector jobs and wages, under conditions where it already faces deep public anger. That is why, at his initial media conference, Rees pledged “change”. “Be under no illusions, we understand how disappointed the community has been with many of our efforts,” he said. “You are right to feel frustrated, you are right to feel annoyed, you are right to feel disappointed. On occasions, you are right to feel angry. On that basis I say this to you: we need real change, and that real change starts today.”

The real character of that “change” soon emerged. As soon as Rees called his first cabinet meeting, it was announced that the government faced a $1 billion budget deficit for the 2008-09 financial year—far from the $268 million surplus forecast in the June state budget. Rees quickly signalled the likely scrapping of a promised $12 billion Sydney North-West Metro train line, postponement of major hospital projects and a number of imposts, including making rail commuters pay private operators to park at train stations.

Rees claimed that the government had no idea of the budget disaster until outgoing Treasurer Costa suddenly revealed that the real estate market slump had sliced $90 million a month from stamp duty revenue. At a bitter farewell press conference, Costa spilled the beans, declaring that there was a $300 million “blowout” in the health budget and a potential $2 billion hole in capital spending requirements.

Despite claiming to be surprised by the deficit, Rees and incoming Treasurer Eric Roozendaal immediately pledged to implement the requirements of the financial markets. “Fiscal responsibility is the life-blood of this government,” Rees told a press conference. He foreshadowed job cuts, saying the public sector was “ripe for reform”. Roozendaal added: “If that means we have to shake the public service tree, then it’ll be shaken.”

Rees and Roozendaal announced that they would stick with Costa’s timetable to hand down a mini-budget within 10 weeks. Costa’s plans included keeping a 2.5 percent limit on public sector pay rises—despite inflation heading for 5 percent—outsourcing rail maintenance and part-privatising Sydney ferry services. All these cuts will have a serious impact on working people. Doctors’ organisations have already warned that the state’s hospitals are dangerously over-crowded and any delay in hospital upgrades will affect patient care, curtail services and extend surgical waiting lists.

While Unions NSW secretary John Robertson has claimed that Iemma’s withdrawal of the electricity sale plan was a victory for workers, Rees also emphasised that the government remained committed to “Plan B”, which will eliminate hundreds of jobs and continue to lay the basis for eventual privatisation. According to media reports, Robertson was closely involved in Rees’s appointment, together with Labor’s state secretary Karl Bitar—a clear warning that the unions will enforce the pro-business slash and burn program now being unveiled.

Rees, who has been in parliament for less than 18 months, has been presented by the media as a working class boy from Sydney’s western suburbs, who rose from being a garbage collector, employed by a municipal council, to the lofty position of state premier. In reality, he was selected and groomed from an early age. At 29 he was appointed a full-time Labor staffer, working for a succession of state ministers, including Iemma. Rees in fact became Iemma’s protégé, and was pre-selected for a parliamentary seat last year due to the premier’s backing— without a local membership ballot.

Labor’s crisis is not confined to NSW. The new premier’s savage austerity measures will increasingly be mirrored by the other state governments and by the federal Rudd government. The property, share market and mining bubbles, on which the Howard government also relied for 13 years, are bursting. While NSW is already in slump—its output contracted by 0.1 percent in the June quarter—global recessionary forces are starting to dominate the national economy as a whole, reflected in rising unemployment, falling world commodity prices and a declining currency.

Prime Minister Kevin Rudd was quick to endorse Rees, saying that the new leadership had “what it takes to confront the challenges facing NSW and move the state forward”. Earlier in the year, Rudd was an equally vocal backer of Iemma and the electricity sale, saying it had his “complete support”. Such privatisations are central to the Rudd government’s own Infrastructure Australia scheme to hand over nearly all future capital works to private consortia—a scheme being administered by the “left” Deputy Premier Tebbutt’s husband, federal Infrastructure, Transport, Regional Development and Local Government Minister Anthony Albanese.

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