

Australia: Tasmanian Labor-Green government delivers big business budget

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18 June 2010

The Labor-Green coalition government in the Australian state of Tasmania handed down its first budget yesterday. Premier David Bartlett and Treasurer Michael Aird worked closely with Greens' leader and cabinet member Nick McKim to deliver on behalf of big business, with the budget focussed on eliminating the deficit and debt at the expense of ordinary people. Grossly inadequate sums have been allocated for health, education, and social infrastructure, while electricity charges are set to escalate by up to 20 percent.

The Labor-Green coalition government was installed last April following a state election that resulted in a hung parliament. The Labor and Liberal parties secured 10 seats each and the Greens 5. The vote was dominated by general political disaffection, with the incumbent Labor government suffering an enormous 12 percent decline in its primary vote. After the outcome was announced, McKim appealed for discussions with both major parties, while federal Greens leader Bob Brown called for the formation of a tripartite coalition government. In the end, the Liberals rejected the Greens entreaties and McKim instead agreed to help reinstall the Labor government. He joined the cabinet and fellow Greens MP Cassie O'Connor was appointed as a cabinet secretary.

Throughout the sordid post-election horse trading, the Greens stressed that their primary concern was to maintain parliamentary "stability" and uphold business and investor confidence in the state. The government's first budget has underscored this right-wing orientation.

In his budget speech, Aird stressed that the fiscal arrangements were the joint work of Labor and the Greens. "I would like to acknowledge the contribution to the budget by the Greens," he said, adding that it pointed to a "new era in Tasmanian politics". McKim in turn thanked Aird and Premier Bartlett, boasting that his role in cabinet "has resulted in a significant greening up of the state budget".

The coalition budget outlined a medium-term return to budget surplus. A net operating surplus of \$23.9 million in 2009-10 is largely due to higher GST tax revenue payments; two deficits are expected after that, \$65 million for 2010-11 and \$82 million 2011-12, before another surplus of \$31.9 million in 2012-13. Public net debt is forecast to remain at zero.

"We want to give a clear indication to the business community that we are still running a strong financial management position here," Aird told the *Australian*.

Business groups had demanded a clear strategy for a return to surplus as a means of reversing the declining state investor confidence surveys that have been recorded in recent months. The Tasmanian Chamber of Commerce and Industry (TCCI) endorsed the budget, describing it as "responsible". TCCI chief executive officer Robert Wallace said: "Being the only state in surplus and net debt free in 2012-13 will be an important signal for investor confidence and importantly, should maintain Tasmania's credit rating." Business also welcomed the Labor-Green coalition's reduction of land taxes, which will result in lost revenues of \$120 million, mainly going to wealthy investors.

The deficit and debt strategy will be achieved through the continuing neglect of desperately underfunded public services. Yesterday's budget included a pittance for essential services and infrastructure: \$20 million for improved housing, \$750,000 for cancer treatment services, \$6.1 million on disability services, and \$800,000 for Child and Family Centre co-ordinators. Nothing was set aside for a long delayed promised new hospital in Hobart. Many other welfare and social service sectors were also left empty-handed.

Working class and poor people are to be hit with massively increased power charges. The Labor party has abandoned an

election promise to cap electricity price hikes at 5 percent, instead permitting the state-owned power retailer Aurora to pass on all costs it claims to have incurred to households. This is expected to increase electricity charges by between 10 and 20 percent—on top of the 30.5 percent increase recorded since January 2007.

These highly regressive measures will hit the most vulnerable layers of the population the hardest, including the elderly. Tasmania is Australia's coldest state, and heating is an essential requirement. The higher charges will not only reduce residents' income, they will inevitably force them to cut back on using their electric heating systems, potentially placing their health at risk.

The Greens have fully backed the higher power charges. Nick McKim said that he understood that "tough decisions" needed to be made. "We were not going to cut and run ... at the first difficult decision," he declared.

These remarks highlight the Greens' contempt for the plight of ordinary people. McKim's position is all the more cynical given that the Greens garnered significant support during the election campaign by focussing on rising costs of living, which have undermined living standards. Nothing has since come of this rhetoric. The budget has established a "Cost-of-Living Strategy" which is nothing but a sham. McKim nevertheless declared that the initiative "delivers on our election campaign and will now ensure that a whole-of-government approach is taken to fully understand cost of living pressures".

Tasmania will remain the poorest of all the Australian states, with the highest unemployment. Yesterday's budget revealed that one reason why there was no further slump in the state economy following the 2008 financial crisis was that it received, on a per capita basis, the highest stimulus spending boost from the federal government, particularly through cash payments to welfare recipients.

According to the Tasmanian *Mercury*, the government has also raided extra dividends on state-owned enterprises to bolster the budget bottom line. "The Government is spending dividends from the Hydro [electricity generator] and MAIB [Motor Accidents Insurance Board] as well as emptying out special funds such as the urban renewal and heritage fund," it explained yesterday. "The cupboard is being scraped bare to such an extent that the Budget papers reveal there would not be enough cash reserves to meet the superannuation entitlements of the public service—should everyone retire at once."

This underscores the fragility of the economic situation. All of the budget's forecasts are predicated on higher economic growth, but the increasingly uncertain global economic climate could see the situation transformed overnight. The budget papers warned that an "increase in uncertainty over international economic conditions from the sovereign debt crisis in southern Europe," combined with problems in the Tasmanian forestry industry and weaker export sales due to a strong Australia dollar, could see economic growth slow to just 0.75 percent for the 2010-11 year, resulting in "little or no growth in employment from the current level".

Official budget forecasts nevertheless predict 2.25 percent growth, rising to 2.75 percent in subsequent years, leaving the official unemployment rate at 5.5 percent.

There is no question but that the Labor-Green coalition will impose even more severe austerity measures in the event of a downturn in the Australian and Tasmanian economies. Public sector workers remain in the firing line, with big business long demanding mass job cuts as a means of reducing the wages bill. Yesterday's budget failed to deliver on this particular item, with public sector wages forecast to grow by 7 percent this year. In the previous budget Aird had pledged to slash 800 jobs, but has now declared that this had never been an official target and had not proved necessary.

The reluctance of the Labor-Green coalition to provoke a struggle with public sector workers, so soon after assuming office, indicates a certain nervousness on the part of Bartlett and McKim. Both are well aware that mass job cuts would trigger widespread opposition. Should such measures be necessary to prop up the profit interests of Tasmanian business, their government will certainly act. The Greens and Labor have already proved their credentials—between 1989 and 1992, a Labor minority administration backed by Bob Brown's "Green Independents" sacked thousands of public sector workers as part of a savage austerity program.



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