South Australian Labor government announces deep spending cuts

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The South Australian state Labor government yesterday delivered its annual budget, pledging mass public sector layoffs and public spending cuts aimed at satisfying the financial markets. Nearly 4,000 public servants will lose their jobs, cuts will be imposed on schools, hospitals, transport, environmental regulation and other basic services, and regressive fees and charges will rise as part of an austerity drive to reduce government spending by more than $2 billion over four years.

In return, the credit ratings agencies, Standard & Poor's and Moody's, have maintained the state's AAA rating. Before delivering the budget, Treasurer Kevin Foley travelled to Melbourne and New York to brief the two agencies on its contents. Once the budget was announced, Standard and Poor's said the government had cut enough to preserve the triple-A rating, but warned against any "lack of political will or ability to deliver on the proposed savings".

None of the cuts was mentioned during the last state election campaign in March, when the Premier Mike Rann's government clung to office with a slender parliamentary majority, securing 26 of 47 seats, a net loss of two. After eight years in office, carrying out a pro-business program, Labor won just 38 percent of the primary vote, but survived largely due to anomalies in electorate boundaries.

Foley declared that the cuts were necessary to offset an estimated $1.4 billion of revenue lost due to the global financial crisis. For all the claims of the media and political establishment that Australia has escaped the worldwide economic breakdown, the South Australian budget is a warning of what is to come nationally. The treasurer referred to a "global backdrop of uncertainty and decline" and said it could worsen. "If there are further economic shocks, it's a different ball game," he warned.

In a frontal assault on public sector workers, Foley declared that if not enough of them accepted "voluntary" redundancies to eliminate 3,743 full-time positions within 12 months, the government would resort to outright sackings. "Those FTEs (full time equivalents) exiting the system is mandatory," he said, adding that it was "a line in the sand, a non-negotiable number".

Foley also announced the abolition of public sector employment permanency, paving the way for further job cuts and sackings. In addition, long service leave provisions and leave loadings will be reduced or abolished. Foley vowed to end a "bygone era" and bring government workers into line with the private sector, where most people had no "God given right" to tenure, and where holiday leave loadings had "been washed out" by employers "years ago".

The departments hardest hit are Education and Children's Services, which will lose 284 positions; Transport, Energy and Infrastructure, which will lose 213 positions; and Environment, which will lose 151 positions. Premier Rann revealed that although no schools would be closed outright, "we're looking at amalgamations and co-located schools".

The health budget is projected to increase by $502 million over the next four years to cope with a growing and ageing population. However, savings of $316 million will be extracted by reducing outpatient services and introducing the "efficient price" funding mechanism in line with the national plan of the federal Labor government. In addition, SA Pathology's commercial arm, Medvet Laboratories, will be privatised and there will be "rationalisations" of pharmacy, biomedical engineering and medical imaging services.

Other measures include a 21 percent hike in water bills—forcing the average family to pay an extra $336 every year—the axing of petrol subsidies for rural areas, and increased car licence fees and speeding fines. These measures will impact most heavily on working people and the poor and will further increase social distress and inequality.

Spending on the police continues to soar, as the government ramps up its "law and order" agenda. An extra 313 police will be recruited over the next four years, on top of the 400 added over the past four years. The budget provides $693 million for police operations during the 2010-11 financial year, up 4.5

percent on last year.

A day before the budget, the government sought to soften up public opinion by leaking a document from its own Sustainable Budget Commission that recommended even more severe public sector cuts, including the axing of 6,000 jobs, and the closure of up to 28 hospitals and several small schools. Foley denied any responsibility for the leak, but cynically utilised it to present the budget as a more “balanced” approach.

Business groups largely praised the budget. Business SA said cuts were essential to maintain the AAA rating, which was “crucial” for investment.

Today’s editorial in the Murdoch-owned *Adelaide Advertiser* congratulated the government “for being sufficiently fiscally responsible to retain the cherished triple-A rating”. However, it demanded more be done to wind back job security and basic conditions. “Workers in all sectors—especially agriculture and manufacturing—are subject to intense global competition and must constantly lift productivity to stay in the game,” the editorial stated, insisting that public servants “must share the 21st century necessity to be more productive”.

The *Australian* today examined all the state budgets this year and condemned their growing total public debt. It estimated these debts would rise by 52 percent, from $159.6 billion to $243.2 billion, by 2014. The newspaper declared that state governments—which are responsible for most essential services in Australia, such as hospitals, schools, community facilities and public transport—must stop their “debt binge”.

The South Australian budget underscores the “two-track” character of the Australian economy, with those areas not centrally involved in the mining industry enduring recession-type conditions.

The Rann government is now expecting a $389 million deficit in 2010-11, a significant deterioration from the $13 million surplus forecast at the last mid-year budget review. After growing at just 1.4 percent in 2008-09, when the global financial crisis hit, the state’s economy is forecast to grow by 2.75 percent in 2010-11—about half the rate of Western Australia. South Australia has a relatively small mining industry, and spending on mineral exploration halved from $355.2 million in 2007-08 to $166.5 million last financial year.

South Australian exports plunged by 15 percent in 2009-10, with falls in vehicles, parts and accessories, copper, wheat and wine. State-wide employment is forecast to rise by 1.25 percent, which is far less than required to overcome the mass joblessness and under-employment in working class areas. According to the latest Small Area Labour Markets data, the official jobless rate during the first quarter of this year in the Adelaide suburb of Elizabeth was 20.6 percent, Lonsdale 11.5 percent, and Salisbury 11 percent.

These areas have been devastated by decades of de-industrialisation, which has deepened during the global economic crisis, especially in the car industry. Several car component suppliers have closed down. General Motors Holden, working hand in hand with the trade unions, imposed one week on, one week off shifts, slashing workers’ wages at its Elizabeth plant.

First elected in 2002, the Rann government has been in the forefront of the right-wing agenda pursued by all the Australian Labor governments, state and federal. Rann has included corporate chief executives, alongside senior clergymen, in cabinet advisory boards.

Labor is relying on the trade unions to stifle and suppress opposition to its budget cuts. The South Australian Public Service Association (PSA) has called the budget “appalling” and warned of devastating impacts on families and public services. But these major job cuts have been mooted for months and the PSA restricted its response to a limited public relations campaign, claiming falsely this would pressure the government to back away from the planned cuts.

Over the past two years, the Rann government has already mounted serious attacks on the working class, including reducing injured workers’ compensation payments by 20 percent after 13 weeks in 2008, announcing the elimination of 1,600 public sector jobs in 2009 and imposing Gillard’s NAPLAN testing regime on school teachers earlier this year. Despite this, the trade unions backed Rann’s re-election in March and have done everything in their power to prevent any independent action against the government.