

Australia: Business demands more cutbacks after Victorian state budget

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5 May 2011

Big business and the media have castigated the recently elected Liberal state government in Victoria for not slashing public spending and sacking public sector workers in its first budget, delivered on Tuesday.

Premier Ted Baillieu, installed at last November's state election when the 11-year incumbent Labor government was thrown out of office, has been clearly put on notice. The reaction to the Victorian budget, coming a week before the federal Labor government unveils its touted budget spending cuts, underscores the clamour within Australian ruling circles for austerity measures targeting the working class.

Victorian Treasurer Kim Wells announced a small budget surplus of \$140 million for the next financial year—but state net debt is set to nearly double from \$11.9 billion this year to \$23.2 billion in 2015. The higher debt is largely due to Victoria receiving substantially lower GST (goods and services tax) revenue from the federal government, and also new spending commitments of \$5.2 billion.

Baillieu boasted that Tuesday's budget delivered on last year's election commitments. These centred on "law and order" pledges, with funds allocated for 1,640 more police officers, 940 armed security guards for train stations and new spending on prisons. The Liberal government also provided a boost for property investors through stamp duty cuts, spent \$1 billion on road and rail infrastructure, and allocated funding for 800 more hospital beds and 340 ambulance paramedics. Electricity and water bill concessions for low-income households were announced as part of the government's touted action on cost of living pressures.

None of the measures even comes close to addressing

the social crisis afflicting ever wider sections of the working class. Victoria is the centre of much of Australia's manufacturing base, and tens of thousands of workers have been sacked or had wage cuts imposed since the eruption of the global economic crisis in 2008. Yet nothing has been done to address the depression-level unemployment rates in working class Melbourne suburbs such as Broadmeadows.

The budget outlined \$2.2 billion in spending cuts. Most of this, according to the *Age*, will be through "forcing departments to trim their purchases, consultants, advertising, and head office staff." The Health Department's budget has been cut by \$37.9 million and the Education and Early Childhood Development Department's by \$27.3 million. Many working people will also be affected by a means test imposed on the \$300 "School Start" payment for children beginning primary or high school, which will reduce the number of eligible households by about 100,000.

However, these cutbacks fell far short of what big business and the media were demanding. In the lead-up to the budget, Baillieu had raised expectations by condemning the previous Labor government for leaving budget "black holes"—a now standard rhetorical ploy in Australian politics. The Liberal government also commissioned former treasury secretary Michael Vertigan to review the state's finances. Vertigan's study called for spending cuts to reduce debt levels to zero.

Business leaders were quick to express their disappointment. "There are very few bright spots in this budget for business," Chamber of Commerce and Industry head Wayne Kayler-Thompson declared. Other corporate figures criticised Baillieu for failing to cut payroll tax. Under the previous Labor government, nearly

every annual budget had lowered this impost on business, and former Premier John Brumby had pledged further reductions during the last election campaign.

The *Australian Financial Review*'s editorial yesterday, "Hard yards ahead for Vic," denounced the Liberal Party for breaching its election promise to lower debt. "Ted Baillieu has never sold himself as a conviction politician prepared to push through unpopular economic reforms," the newspaper complained. "So perhaps we should not be surprised that the Victorian government's first budget foray fails to tackle looming fiscal challenges, or deliver on some election promises... Because of their relative inaction yesterday, the main political challenges are still ahead."

Similarly, the *Australian*'s editorial, "Baillieu budget nets more debt," concluded: "By borrowing instead of cutting, the Baillieu government hasn't avoided a reckoning, merely forestalled it. If there is a dampening of national economic trends before the cuts are made, the difficulties will intensify and Victorians might be wishing their government had muscled up when it said it would."

The Baillieu government's failure to immediately deliver on the demands of big business and finance capital reflects its fear of provoking mass opposition. The Liberals capitalised last November on the enormous hostility among working people toward the previous Labor government. In office since 1999, the pro-business Labor administrations implemented deeply unpopular Public Private Partnerships and pioneered various retrogressive initiatives in the health and education systems, while presiding over an escalating crisis of public infrastructure. During last year's election campaign, business and the media were uniformly supportive of another Labor term in office, but Baillieu unexpectedly won after mounting a populist campaign pledging improved public services and action on cost of living.

Treasurer Wells stated on Tuesday: "The issue for us was that if we were to deal with the debt problem in year one, there would have been massive job cuts, massive increases in taxes, and massive cuts to services. We were not prepared to do it—our priority was to deliver on our election commitments."

Baillieu has drawn unfavourable comparisons with

former Liberal Premier Jeff Kennett, who imposed unprecedented spending cuts after he was first elected in 1992. *Age* commentator Shane Green noted: "It is clear that while Wells may have been part of the Kennett era, he is no Stockdale [Kennett government treasurer], nor for that matter, his premier a Kennett."

Baillieu may find himself targeted for removal. The Victorian Liberal Party has long been wracked by bitter factional divisions, and many right-wing government MPs despise Baillieu as a "moderate." According to the *Australian*, "the size of the debt increase has alarmed sections of the Coalition back bench."

The government's first task in the aftermath of the budget is to impose real wage cuts on an estimated 160,000 public sector workers. New three-year enterprise bargaining agreements (EBAs) covering teachers, nurses, paramedics, public servants and police are due to be finalised this year. Baillieu has budgeted for nominal annual wage increases of just 2.5 percent—far lower than cost of living increases—with anything more to be offset by "productivity" concessions, effectively meaning job cuts.

The stage is set for a confrontation between the Liberal government, working in close collaboration with Labor Prime Minister Julia Gillard, and broad sections of the working class. The trade unions, however, are doing their utmost to pre-empt opposition among working people by promoting illusions in the Liberals. For example, Community and Public Sector Union Victorian secretary Karen Batt welcomed the budget, absurdly declaring: "Baillieu has completely rejected [the Vertigan commission] and clearly believes in Victoria being a society as much as an economy."



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