

# Western Australian, Tasmanian state governments announce new spending cuts

Patrick O'Connor  
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The Liberal government in Western Australia and Labor-Greens administration in Tasmania each unveiled new spending cuts in their annual budgets released last Thursday. Health, education, and social services will be further hit, while working people will face higher electricity charges and other cost of living increases. The measures form part of a bipartisan austerity drive, signalled by the federal budget delivered by Prime Minister Julia Gillard's Labor government earlier this month.

The divergent Western Australian and Tasmanian economies highlight the enormous disparities being generated by the mineral export boom and economic restructuring process now underway.

Many of the newly-developed, major iron ore, liquid natural gas, and other minerals projects are in Western Australia. Economic growth in the state in 2011-2012 is forecast at 6 percent, and at 4.75 percent the following year, twice the national rate. The official unemployment rate is the lowest in the country at 4.25 percent, with 70 percent of jobs created in Australia last year reportedly from the west.

Tasmania, on the other hand, forecasts annual economic growth of just 1.25 percent, with unemployment set to rise to 7.5 percent. Geographically the smallest and least populated of the Australian states, Tasmania possesses relatively few mineral resources. Its economy largely depends on tourism, manufacturing, and wood and paper production, all of which have been affected by the high Australian dollar.

Budget projections in the two states reflected their different economic position—Western Australia forecast surpluses, while Tasmania is in deficit. But in both states

the working class has been targeted to satisfy the demands of the credit ratings agencies and the financial markets.

The Liberal government in Western Australia boasted of delivering a \$196 million surplus. "Our triple-A credit rating is absolutely rock solid," Treasurer Christian Porter declared.

The government welcomed a record \$4.3 billion in iron ore royalties, 84 percent higher than had been forecasted three years ago. The government revealed that it is establishing a sovereign wealth fund, to accumulate to \$4.7 billion by 2032, when future governments will be able to spend the annual interest accrued. The entire budget was oriented to the needs of business, including additional revenue for mining-related infrastructure. Small and medium firms received a one-off exemption from paying any payroll tax.

Despite the influx of record mining revenues, the government announced \$300 million in health cuts and spending delays, and an \$83 million cutback in education spending. Funding was set aside for the construction of just 433 additional public housing properties, while 24,000 people remain languishing, some for years, on the housing waiting list. The Western Australian government has also imposed a 2 percent annual cut in government department funding, which will trigger further public service layoffs.

Working people will be hit with further hikes in the cost of living. Motor vehicle licence fees, public transport fares, and sewerage and drainage bills have all been increased. Electricity is set to increase by another 3.5 percent, on top of the forecast 9 percent spike with the introduction of the national carbon tax. Water charges are also up, by 6 percent. Power and water charges in

Western Australia (WA) have skyrocketed in recent years, placing further cost-of-living pressures on the working class. For all the media hype about the WA mining industry, the reality for the majority of the population is that the “boom” has only increased the cost of housing and many other basic necessities.

Since coming to office in 2010, the Tasmanian Labor-Greens coalition government has imposed the most sweeping spending cuts of any state government. The 2011 budget featured 1,700 public sector job cuts, the closure of 20 public schools, major cuts to public health spending, and increased water and electricity charges. These ruthless measures announced by Labor Premier Lara Giddings were enthusiastically endorsed by the Greens, underscoring the right-wing and upper-middle class character of this party. Last year’s Tasmanian budget was hailed by the media and business groups as a model for state governments to follow nationally.

The cuts triggered a broad-based protest movement. Greens leader and education minister Nick McKim was heckled at demonstrations organised by those affected by the school closures. Nurses and health workers shouted down Labor’s health minister, Michelle O’Byrne, and the Greens’ cabinet member Cassie O’Connor at rallies against hospital cuts. The government is now despised among ordinary people, and the Labor Party is polling just 17 percent in the state.

With a state election due in the next two years, the government is desperately attempting to regain some degree of support. McKim last month announced that the government would make no decision on the schools slated for closure until June 2014, two months after the next election. Premier Giddings, also the state treasurer, also said that this year’s budget would rescind previously announced cuts from the health department of \$120 million. She claimed this was due to an assessment that further cuts “would unduly affect critical health services”, adding that the decision demonstrated that: “While we cannot afford to abandon fiscal discipline, this budget also has a heart.”

This is nothing but political posturing. Far from reversing the 2011 austerity measures, last Thursday’s budget included new cuts of \$68 million over four years, mostly coming from public services and government departments. More public sector layoffs will follow. The

trade unions have played the critical role in enforcing the cuts; the head of Unions Tasmania, Kevin Harkins, has warned that “the cuts are still there, the job cuts are still to come.” The government’s claim to be protecting public health services is a fraud—the Health Services Union has predicted that another 800 jobs in the sector will go. Moreover, the *Australian Financial Review* reported that Giddings “indicated there might be room to cut the education budget in the future.”

The cost of living will also rise through 5 percent tax hikes in each of the next four years for home sales, car registrations and insurance premiums, and insurance duty. Electricity charges will rise between 11-12 percent—the government cynically claimed this was good news, as it had previously planned increases of 23-26 percent, beginning this July.

Giddings apologised to big business and the markets for delivering a deficit of \$289 million, the first time a surplus has not been delivered in Tasmania since 2004-05. She insisted that the government’s priority was to slash debt, but blamed unexpected write-downs in goods and services tax (GST) revenue intake. The Labor-Greens government has pledged to immediately return to surplus and eliminate debt in two years—but an article in the *Australian* described these promises as based on “what appear to be based on exceedingly optimistic assumptions that Tasmania’s share of GST revenues will improve, growth will spring back to life and the carbon tax will deliver a windfall for the state’s renewable power generator.”

The Western Australian budget forecasts are based on no less optimistic projections of continued Chinese industrial expansion and further increase in mining exports. Like the Gillard government, the states have all resolutely ignored the growing crisis in the world economy, driven by the brewing catastrophe in Greece and the eurozone. Even more savage budget cuts will be imposed at every level of government in Australia once these economic realities are felt.



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