

As mining boom fades, Western Australian government imposes austerity measures

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The Western Australian Liberal state government last week unveiled plans to slash up to 1,500 public sector jobs through voluntary redundancies and a two-year recruitment freeze. Premier Colin Barnett told reporters that due to the “tough economic environment,” he had little choice. “That’s not necessarily something I want to do but I would much rather act now than see the situation in Queensland where 14,000 public servants were sacked,” he said.

Barnett did not specify which areas would be targeted, hinting only that he did not “expect many jobs” to be destroyed in health and education. He did, however, effectively put all public sector workers on notice, stating: “There has been job security for life virtually, and I think those days have gone past us.”

Community and Public Sector Union assistant secretary Rikkii Hendon told reporters that the cuts would have a severe impact on services, including child protection, dental clinics and youth justice. But none of the public sector unions issued a statement opposing the proposed cuts. They will undoubtedly collaborate with the government to divert and suppress any resistance from public sector workers.

The job destruction follows a government announcement earlier in May increasing fees and utility charges above the inflation rate—breaking an election promise. Electricity charges will rise 4 percent from July 1, adding to the 57 percent already imposed over the past four years. Prices for household gas will rise by 6.4 percent, on top of the 45 percent inflicted on struggling working-class families and low-income earners over the same period. Water charges are set to rise by 6 percent, adding to the 29 percent increase over the past four years.

The emergency services levy will increase by 7.8 percent and public transport fees are to be lifted by 5

percent. Motor vehicle registration and driver licence fees will rise 5 percent and compulsory third party vehicle insurance by 4.1 percent, adding to the financial stress. In total, the increases will cost an average family around \$220 a year.

The state treasury has forecast a \$2 billion hit to the budget over four years because of lower mining royalties and a reduced Goods and Services Tax (GST) return from the federal Labor government. At least \$585 million will be cut from the state’s GST rebate over the next four years, underlining the role of the Gillard government as the enforcer of the austerity agenda nationally.

State debt has almost trebled over the past four years of the Barnett government, to \$18.3 billion, and is estimated to rise to around \$24 billion by 2016-2017. The rising debt has led to demands by the credit rating agencies for deep cuts to government spending to maintain Western Australia’s AAA credit rating, which was placed on “negative outlook” before the state election in March.

The changed outlook marks an abrupt change from last year when the state government was boasting about its economic record. Western Australia recorded growth of 14 per cent in 2012, official unemployment was the lowest in the country at 4.1 percent and the state had the highest average income. Now, the state’s unemployment rate has risen by 1.7 percentage points since last July.

In the latest economic data, the state’s output fell by 3.9 percent in the March quarter of 2013—the second consecutive quarter of contraction, the official definition of recession. Other mining states and territories also contracted—the Northern Territory by 10.2 percent and South Australia by 0.3 percent. Overall, Australia’s economic growth dropped to an

annualised rate of 2.5 percent, well below federal budget forecasts, so that deeper spending cuts lie ahead nationally.

In Western Australia, the collapse of the mining boom will intensify calls for further public sector sackings, spending cuts and the sale of state assets. Mining royalties generate around 20 percent of the state government's revenue. The price of iron ore, one of the major commodities, slumped last week to \$US113 a tonne, down from \$US135 just weeks ago.

The state Labor opposition has criticised the government's cutbacks as the product of "financial mismanagement." Throughout the recent election campaign, the Labor Party's central focus was to peddle their credentials to the corporate elites, labelling Barnett a "reckless spending Liberal." Labor leader Mark McGowan promised that an incoming Labor government would rein in public spending.

The economic crisis in Western Australia is not the product of "financial mismanagement" but of the impact of the worsening global economic breakdown, especially on the mining sector.

Official unemployment figures climbed to 5.2 percent in April, mainly due to job cuts in the mining and construction sectors. According to a report in the *West Australian* newspaper in March, some 9,000 full-time jobs had been wiped out since the start of 2013—the largest job loss since early 2009, when the mining sector in Western Australia axed around a fifth of its workforce.

The boom in mining resources such as iron ore and liquefied natural gas (LNG), fuelled particularly by China's growth, is being hammered by a slump in commodity prices and reduced demand due to the slowdown in China and globally and increased competition from other producers internationally.

The crisis in the mining and resources sector is set to deepen as major projects around the country are shelved or delayed, leading to a chorus of demands by mining companies and investors for the slashing of wages and conditions, cuts to corporate taxes and production costs, and the removal of environmental regulations that remain a barrier to maximising profits and making firms "internationally competitive."

According to a recent report in the *Australian Financial Review*, titled "Resources boom falls to earth", the Bureau of Resources and Energy Economics

estimated that \$350 billion in committed and potential projects may slump to just \$25 billion in 2018, half what it was when the boom began in 2003.

The article listed a host of projects cancelled or delayed in the past 12 months, including Woodside Petroleum's Browse LNG project at James Price Point off the northwest coast and its Sunrise LNG project in the Timor Sea. BHP Billiton's Olympic Dam expansion was shelved in South Australia and its Port Hedland outer harbour project in Western Australia has been affected. Aquila Mining's West Pilbara project is also in doubt.

The mining boom has created an unprecedented level of social polarisation in Western Australia. A handful of billionaires accumulated enormous fortunes, while a layer of the upper middle class benefitted from the rising stock exchange and inflated property prices. Gina Rinehart, the West Australian mining heiress, was named the "richest woman in the world" last financial year, with a personal fortune of \$29 billion, and earning \$600 per second.

For ordinary working people, however, the mining boom has meant massive increases in the costs of housing, utilities and other basic necessities. In May, the Salvation Army charity reported that 90,000 people in Western Australia approached it last year for assistance with food and other essentials.

In the lead up to the Western Australian election on March 9, the *World Socialist Web Site* warned: "As soon as the election is out of the way, the assault on jobs, living standards and basic services will escalate, widening the already glaring levels of inequality in Western Australia" (see: "Social crisis to intensify after Western Australian election"). It has not taken long for these warnings to be confirmed.



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