Western Australian budget imposes new burdens on workers

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The state budget handed down on May 8 by the Western Australian Liberal government of Premier Colin Barnett will impact heavily on low-income households. The retrogressive measures, announced by Treasurer Mike Nahan just days before the federal Liberal-National government's social austerity budget, are an attempt to impose the burden of declining iron ore royalties and other falls in state revenue onto the working class.

Western Australian working-class households will have to pay an estimated $5,224 in government charges in 2014–15, a $324 increase on the previous financial year. This includes a 4.5 percent rise in electricity bills, adding to the 61 percent increase since 2008; a 6 percent hike in water rates, on top of the 35 percent rise over the same period; and a 5 percent increase in the Emergency Services levy.

Workers will also face a 4 percent rise in public transport fares, with students charged an additional 20 percent; a 3 percent increase in motor vehicle registration costs; abolition of the $36 private vehicle concession; and a $365 per year rise in the Perth Parking Levy. Land tax will climb by 10 percent and first homebuyers will be penalised by a $70,000 lowering of the threshold for stamp duty exemption from $500,000 to $430,000.

The Barnett government's budget also imposes a $12 weekly rent rise—$624 per year—on all public housing tenants, the poorest layers of the working class. Combined with the estimated $324 increase in other government charges, public housing tenants will have to find an additional $1,000 per year.

The budget provided no funds for public housing to reduce growing waiting lists, nor did it address the lack of affordable housing in the private rental market. According to recent Department of Housing figures, there were over 21,000 applicants, or more than 46,000 people, seeking public housing last year. In 2012–13, only 77 public housing properties were either built or purchased, despite the state's population growing on average 60,000 annually.

The Western Australian Council of Social Services (WACOSS) criticised the budget and reported that there were 80,000 families with children "at risk" and 120,000 households already struggling to pay their bills. It warned that the government's measures would produce a surge in demand for emergency relief that under-funded community services could not fulfil.

"The community services sector," WACOSS said, "will not have the capacity to provide the care and support our community needs over the coming year and beyond."

The budget also caps public service wage rises at 2.75 percent this financial year, dropping to 2.5 percent in 2015–16. Any wage rises above the salary cap will have to be funded by reductions in departmental funding and therefore cuts to services and jobs.

The government is maintaining its 2 percent annual efficiency dividend on all departments and plans a 15 percent, or $169 million, cut this year in "non-essential procurement" government agencies. These measures will translate into hundreds of job losses.

The budget measures are driven by falling iron ore prices and demand from China, and the high Australian dollar. This has produced a dramatic drop in mining royalties, which account for 22 percent of WA's income, and falls in other state revenue over the past two years.

WA was previously described as Australia's "mining boom" state, but the benefits all went to the mining and financial elites. Now the Barnett government is attempting to impose the impact of the falling revenue onto the working class.

The budget predicts a $420 million fall in iron ore royalties over the next four years, reducing an expected $175 million surplus this financial year to a $5 million surplus in 2015–16. The state's net debt is predicted to hit $24.9 billion in 2014–15 and climb to $29.4 billion in 2017–18. From a 14 percent economic growth rate in 2011–12, the state economy is tipped to grow by just 2.75 percent in the next twelve months.

The budget predicts official unemployment to rise from 4.9 percent to 5.5 percent. The Australian Workforce and Productivity Agency recently reported that Australian mining construction jobs will peak this year to just over 83,000, before falling to just 7,700 in 2018.

The state government also has to contend with a loss of around $8 billion in Commonwealth funding to education and health over the next 10 years, following cuts to all states announced in the Abbott's government's federal budget. Reductions in federal government grants raised by the Goods and Services Tax have also impacted. These are expected to fall by $2.5 billion by 2018.

The government foreshadowed possible asset sales, including the TAB, Utah Point in Port Hedland, the Kwinana Bulk Terminal, the Perth Market Authority, and land from the closures of the Princess Margaret and Swan hospitals and other properties. It refused to announce any specific timetable, declaring that it was taking "a cautious approach."

The Western Australian budget was immediately criticised as "inadequate" by the international credit-rating agencies and the corporate elites, who demanded greater cuts to state spending and an immediate program of privatisation asset sales.

Standard & Poor's, which downgraded the state's credit rating from AAA to AA+ last August, reacted negatively to the budget. It complained that no measures were introduced to deal with structural problems, leaving the state subject to "external shocks" such as volatile commodity prices.

An editorial in the *West Australian* newspaper condemned the budget, declaring: "For all the talk from a succession of senior Barnett government figures about the importance of getting the state's finances back on track, there was nothing in Treasurer Mike Nahan's first budget yesterday to show how this will be achieved… [M]ore significantly, there is no sign that the government has any idea how to set out a credible path to financial security and the restoration of the state's AAA credit rating."

State Labor opposition leader Mark McGowan feigned concern over the plight of working-class families but in a clear message to the financial elite, criticised the budget for failing to outline a plan to restore the AAA credit rating. During the 2013 state election campaign McGowan pledged that an incoming state Labor government would "rein in spending."

In the coming weeks and months, the demands of the financial markets and the business elites for an escalation of social austerity measures and privatisations will grow louder. Labor is signalling that it will do whatever it can to assist with these demands.