

Australian budget to proceed despite protests by state leaders

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21 May 2014

Driven by the demands of the financial and media establishment, the Abbott government has rejected the protests of Australia's state and territory leaders over the stripping of \$80 billion from their public health and education funding over the next decade in last week's budget.

The withdrawal of funding from the states and territories is a central component of the budget blueprint to dismantle entire areas of social spending, in order to satisfy the demands of the global and Australian financial elite for lower taxes on businesses and high income earners.

What is involved is nothing less than the wholesale restructuring of the system of federalism itself, as laid out in the Abbott government's National Commission of Audit report, released just before the budget.

The purpose is not only to withdraw federal funding from core services like health and education. It is also to pit the states against each other, in the name of "competitive" federalism, in an endless fight to outdo their rivals in lowering business costs to attract investment.

State premiers and territory leaders, who met last weekend, issued warnings that it will be impossible to maintain medical and other essential services. Representing the most populous state, New South Wales Premier Mike Baird said the long-term impact of the budget cuts was untenable, reducing federal hospital funding from 40 percent to only 14 percent. "We can give no clearer message to Canberra: we cannot absorb these cuts," he said.

The assembled leaders accused Prime Minister Tony Abbott of getting his facts wrong when he flatly rejected their call for an emergency meeting of the Council of Australian Governments (COAG). Abbott claimed there was "an enormous amount of time" to

talk about the cuts, because they did not begin immediately.

However, hidden away in the budget documents are almost \$3 billion worth of terminations of funding agreements with state governments in the health portfolio alone, taking effect this year or next year. The state and territory leaders said the scrapping of scores of "national partnership agreements" would have an impact, starting on July 1, on state services—including the likely closure of 1,200 hospital beds and the axing of \$300 million in concessions to pensioners and the elderly.

These cuts will hit the already chronically underfunded and overstretched public health system. The agreements abandoned or deferred include:

- The national health reform agreement, signed by all states and the previous federal Labor government in 2011—thus slashing \$1.8 billion from public hospital funding, starting this year.
- The dental flexible grants program—cutting \$229 million, starting this year, from funding for dentists in outer metropolitan and rural areas.
- Adult public dental services scheme—reducing funding by \$390 million that was supposed to help clear the 400,000 people on waiting lists for public dental care.
- "Improving public hospital services" program—eliminating \$201 million, starting next year, from money that was supposed to reduce lengthy and potentially dangerous waiting times at public hospitals.
- National partnership on preventive health—slicing \$367 million, starting this year, that was supposed to fund preventive health education programs, such as anti-smoking campaigns.

Victorian Premier Denis Napthine said the terminated agreements would cost Victoria about \$200 million

from July 1, on top of the \$80 billion cuts in the longer term. “These are simply unaffordable and unsustainable,” Napthine said.

These pleas fell on deaf ears because the Abbott government is determined to impose the demands of the financial markets to dismantle the post-World War II welfare state. This agenda has been reinforced following a warning by the ratings agency Standard and Poor’s that the country’s triple-A rating will be at risk unless the government prevails against the intense public hostility to the budget.

Abbott declared yesterday: “If these necessary measures don’t pass the Senate, our AAA rating is at risk and if we lose our AAA credit rating, we pay higher rates of interest on our debt.”

Today’s *Australian* editorial denounced the “confected fury” of the state premiers, insisting that they “grow up” and fall in behind the drive to eliminate “wasteful public spending” and deliver “textbook reductions in income tax.” Murdoch’s flagship declared: “Boosting federal funding for hospitals only weakens further states’ incentives to run their hospitals efficiently.”

The *Australian* opposed calls for the cuts to the states to be offset by lifting the rate of the 10 percent Goods and Services Tax (GST) or broadening its base to include items such as fresh food, health and education. Increasing the GST, the editorial declared, would only soften the whip being applied to the states.

Over recent days, former Victorian Labor Premier John Brumby has been joined by ex-Liberal premiers, Jeff Kennett and Nick Greiner, in urging a lift in the GST, the proceeds of which are funneled to the states and territories. The impact of a GST rise would fall hardest on low income earners.

Abbott yesterday said the states could push for a GST rise as part of a plan to “reform” the federation, but emphasised that he wanted taxes to be lower. He specifically referred to the government’s proposed white paper on the federation, thus pointing to the underlying agenda of “reforming the Federation,” which was outlined in the government’s audit commission report.

Headed by former Business Council of Australia chairman Tony Shepherd, the audit commission set out a corporate blueprint for cutting minimum wages, dismantling the Medicare universal health insurance

scheme, privatising essential facilities and services and wiping out most unemployment, pension, disability, child care, family and other welfare entitlements. A key aspect of the recommendations was a complete revamp of federal-state relations.

As well as making states chiefly responsible for funding core services, the audit report urged the scrapping of the redistribution of funds from the economically stronger states to the weaker ones. It proposed a “competitive federalism” that would erode any commitment to nationally-equal standards, reinforce a shift to “user pays” measures and intensify the pressure on the states to undercut each other in the scramble for investment flows.

Labor and the Greens are feigning opposition to the budget, but they have no disagreement with this drive. From 2007 to 2013, the Rudd and Gillard Labor governments, backed by the Greens, pursued an alternative means of cutting state health, education and other social spending—via “cooperative federalism” that tied grants to the states to “efficiency” mechanisms, dressed up in the guise of “reforming” and “improving” services.

Having presided over the ongoing deterioration of public hospitals, government schools, public housing, disability programs and other crucial services, Labor was thrown out of office in a landslide, paving the way for the Liberal-National Coalition to deepen the corporate offensive against the working class.



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