Australia: NSW budget to sell off $20 billion in public assets

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The New South Wales budget, handed down on Tuesday, is geared to meeting the requirements of the financial elite based in Sydney, the state's capital. Its centrepiece is a more than $20 billion sell-off of public assets—including ports and electricity infrastructure—to meet the demands of the financial markets for a budget surplus.

The Liberal-National government's privatisations are also aimed at opening up lucrative consultancy and investment opportunities, while shedding thousands more public sector jobs. Some of the proceeds are earmarked for infrastructure projects—mainly tollways and commuter transit lines—designed to tackle Sydney's traffic gridlock in order to reduce corporate logistical and other costs.

Treasurer Andrew Constance said the budget was "built on the repair work of the last three years," which has seen the elimination of 15,000 public service jobs, real wage reductions for public sector workers, and across-the-board cuts to social spending, including in education and health.

In addition, the NSW budget begins to impose the sweeping cuts to social spending unveiled in last month's federal budget. Facing a state election next March, and conscious of the deep popular hostility to those measures, Constance blamed the federal Liberal-National government for the impact of $80 billion of cuts to the states in education and health spending over the next decade. "There is no point pretending that the broken agreements of the federal budget won't hurt the people of NSW," he said.

The NSW budget will reduce Technical and Further Education (TAFE) capital expenditure from $107 million to $90.28 million in revised 2013-14 figures, with an even greater fall in 2014-15 to just $76.8 million. TAFE students, mostly working class youth and mature age students seeking trade and vocational qualifications, are also being hit by higher fees. Enrolments are forecast to drop, initially from 570,036 in 2013 to 547,603 in 2014.

There will be no increase in the number of hospital beds, so that waiting times will worsen for surgeries, both emergency and so-called elective. The number of beds per person in NSW has fallen over the past six years, from 2.9 per 1,000 people to 2.8. Likewise, public housing waiting lists will keep growing, due to funding cuts in real terms.

Ongoing "efficiency dividends" and expenditure caps on government departments—measures initiated by the previous state Labor government—are expected to mean another 2,500 job losses in the year ahead, on top of thousands of jobs threatened in the ports and electricity enterprises.

The NSW government of Mike Baird, like its Coalition counterpart in the state of Queensland, backed away from immediately passing on the federal budget's cuts to pensioner concessions for public utilities, transport and local council rates. The attempt to do so in the Queensland budget provoked widespread public outrage. While $107 million was announced to maintain the rebates, as in Queensland the funds are only guaranteed for one year—that is, until after the next state election.

Constance claimed that the government was meeting its "obligation to help those in need" by allocating about $1 billion for child protection, homelessness and disability services. This funding, however, largely consists of outsourcing core services to private contractors that pay their staff low wages. Long-standing facilities are being shut down and replaced by "out-of-home services," mostly run by charities.

While social programs are starved of funds, the police force will receive an extra $153 million to add another 309 officers, taking the numbers to a record 16,665. Police will also get updated mass surveillance technology, including 110 new mobile automatic vehicle number plate recognition units.

On top of opportunities to buy up ports in Sydney, Newcastle and Port Kembla, as well as water desalination and electricity assets, businesses will be handed a 5 percent reduction in WorkCover safety insurance premiums, saving them $113 million a year.

Despite forecasting a return to surplus in two years' time, the budget left the financial markets unimpressed. Global ratings agency Standard & Poor's refused to take NSW's AAA credit rating off negative watch, warning that the state would not feel the full impact of the federal budget cuts until 2018. The agency insisted that deeper inroads into social spending were required, speaking of the necessity to "dampen growth in demand for services."

Much of the claimed reversal in the state's budget deficit came from an almost $1 billion greater than forecast surge to $5.89 billion in transfer duties collected on property sales in 2013-14, driven by soaring home prices.

This figure highlights how far Australian state governments are relying on revenues derived from the unaffordable housing prices confronting working people. The stamp duty collected rose by 35 percent, contributing 24 percent of NSW's tax receipts. Between them, Australia's three most populous states—NSW, Victoria and Queensland—are expected to raise $15.7 billion in stamp duties by 2017-18, further adding to the costs of buying a home.

Although the budget promised a list of long-overdue transport and other infrastructure projects, many announcements amounted to election-time pork barrelling. At least $2.8 billion worth of projects and feasibility studies were assigned to marginal electorates, with no guarantee that they will ever be delivered.

Nevertheless, there was praise in the corporate media for Premier Baird's "boldness" for announcing a new wave of privatisations, particularly the planned $13 billion lease of 49 percent of the state's electricity distribution network. This was something that Baird's predecessor, Barry O'Farrell, shied away from, fearful of the electoral backlash produced by abandoning a 2011 election pledge not to privatise electricity facilities.

O'Farrell quit office in April, ostensibly because he failed to report a gift of a bottle of wine, making way for his replacement Baird, an ex-merchant banker. Almost immediately, Baird advanced a policy of "asset recycling"—privatising potentially profitable facilities on the pretext of using the sale proceeds to update decrepit infrastructure.

This week's budget confirms that O'Farrell was ousted because of his perceived failure to aggressively enough pursue the agenda required by the wealthy elite. Yesterday's *Australian* editorial declared: "Mr Baird's signature policy of asset recycling is straight out of the merchant bankers' handbook. His bold plan to sell the 'poles and wires' of the state's electricity distribution network is a welcome departure from Mr O'Farrell's reform timidity and politics-first approach."

The Labor Party opposition, having been driven from office in a landslide in 2011 because of a 16-year record of serving the interests of business, said little about the cuts to education and health. It criticised the power selloff, but that posturing was somewhat exposed by Treasurer Constance in his budget speech. He pointed out that Baird's government was implementing the electricity privatisation program begun by previous Labor premiers, Bob Carr and Morris Iemma.