

# South Australian Labor's budget imposes "cruel" federal cuts

Mike Head  
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Australia's last remaining state Labor government—in South Australia—handed down a budget on Thursday that seeks to inflict the social pain of last month's federal budget, while cynically posturing as an opponent of the measures.

State Treasurer Tom Koutsantonis claimed to be "standing up" to Prime Minister Tony Abbott's National-Liberal government and "these brutal Commonwealth cuts." Conscious of the deep hostility to the federal budget, Koutsantonis labelled it "unnecessary, cruel and immoral."

The treasurer then proceeded to utilise federal cuts to health and education funding as the pretext for intensifying the state Labor government's own 12-year offensive against basic services, public sector jobs and working class living conditions.

Premier Jay Weatherill's government scraped back into office at the March state election, despite Labor receiving just 37 percent of the vote. Weatherill promised to create 100,000 jobs by 2016, upgrade health facilities, and not privatise government-owned assets. All this was ripped up on Thursday.

Citing \$898 million in education and health cuts imposed by the federal government over the next four years, Koutsantonis unveiled the suspension of four urgently needed public hospital upgrades—at Flinders, Modbury, Noarlunga and the Queen Elizabeth. Outright ward and hospital closures were also foreshadowed, with Koutsantonis refusing to specify where another \$332 million in health cutbacks would be made.

Labor's treasurer vowed to eliminate another 4,015 public sector jobs over the next four years. This is on top of the more than 11,000 jobs axed by the government since the global crash of 2008 in an unsuccessful bid to retain the state's AAA credit rating. The latest wave will include 639 jobs from health and

ageing services.

Koutsantonis also announced "efficiency dividends" requiring government departments to cut 1 percent of their budgets in both 2015–16 and 2017–18, and a 2.5 percent cap on public sector wage rises. This is a real pay cut, given that inflation is running at 2.9 percent, even by the understated official figures.

There will be a 61 percent jump in an "emergency services levy" that the government previously imposed under the guise of adequately funding fire, ambulance and emergency services. Average homeowners will pay an extra \$150 a year in the property tax on a house valued at \$400,000, taking their bill to \$240.85 in 2014–15.

Koutsantonis blamed the Abbott government for a \$190 cut to pensioners' concessions on municipal council rates from next year. Like its Liberal-National counterparts in Queensland and New South Wales, Labor backed away from stripping pensioners of these concessions immediately, but Koutsantonis explicitly stated that the rebates will be eliminated next year.

The government tore up its promise not to privatise public assets, announcing the sell-off of the government-owned Motor Accident Commission's current monopoly on compulsory third-party car insurance premiums. This is intended to inject \$500 million into the government's coffers in 2016–17, while giving private insurers access to a profitable new market.

Public transport in the capital Adelaide was hit, with another postponement of the electrification of the rail line through the city's northern suburbs to Gawler. First announced in 2008, the project's commencement—already delayed numerous times—has been pushed back to 2017–18.

Another election promise evaporated. Before the

March poll, Weatherill declared he would pressure the federal government into establishing a \$333 million fund, supposedly to help workers and local businesses hit by the scheduled closure of the GM Holden car assembly plant at Elizabeth, in Adelaide's north, by 2017. In Thursday's budget that shrank to \$60 million.

The political purpose of the fund, administered by former trade union chief and Labor federal minister Greg Combet, was always to try to head off workers' anger over the closure, by holding out the false prospect of assistance and retraining to find alternative work. Despite the smaller sums on offer, the trade unions will continue to use the fund to try to help GM to close the plant without resistance.

The budget's economic projections give some indication of the devastating impact of the GM shut down, together with related auto businesses, on top of decades of manufacturing closures and last year's mothballing by BHP-Billiton of expansion plans for its Olympic Dam copper, uranium, silver and gold project. Statewide employment is actually forecast to fall by 1.25 percent in 2013–14, with another drop of 1.75 percent in 2015–16.

South Australia is one of the sharpest indicators of the reversed fortunes of Australian capitalism in the wake of the 2008 global crisis and slowing growth in China. Officially, unemployment stood at 6.3 percent in April, well above the national rate of 5.8 percent, but this camouflages the reality. In Adelaide's north, unemployment is already as high as 20 percent.

In an effort to satisfy the financial markets, Koutsantonis claimed that this year's \$1.23 billion deficit would be slashed to \$479 million for 2014–15, and transformed into a surplus of \$406 million in 2015–16. Given that only three years ago, the Labor government forecast a surplus of \$840 million by 2014–15, this claim cut little ice with the ratings agencies. Standard & Poor's and Moody's retained the state's AA rating, but Moody's senior credit officer Debra Roane warned that "weaker than anticipated revenue growth remains a risk."

For their part, the trade unions indicated that they will work hand in glove with Labor to suppress working-class opposition to its measures, as they have done since the government was first elected in 2002 under Weatherill's predecessor, Mike Rann.

Australian Nursing & Midwifery Federation official

Elizabeth Dabars said the union wants to be involved in talks about where health cuts will be made, via "a genuine, transparent, open conversation with all relevant stakeholders."

The Public Service Association, which covers public sector employees, lined up behind Labor's bid to justify its cuts and divert workers' outrage away from the state government. The PSA said it "remains committed to campaigning against the federal government cuts that have had such a major impact on the state budget."

Far from fighting the Abbott government's "brutal" and "cruel" budget, Labor and the unions are implementing its measures.



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