

# Western Australia suffers “greatest revenue shock since Great Depression”

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Three announcements this week in Western Australia—once known as the country’s greatest resources “boom state”—underscore the extent to which the fallout from the 2008 financial breakdown is now hitting Australia with increasing severity.

Until 2013, Australian capitalism avoided the worst immediate effects of the 2008 crash, but only because of inflated demand for mining and energy commodities, mainly driven by massive stimulus measures by the Beijing regime. Since then, export prices have plunged as China’s economic growth has slowed dramatically because of the ongoing and deepening world slump.

The first announcement was the state government’s mid-year budget update, which forecast a record \$3.1 billion budget deficit this year—up from the \$2.7 billion predicted in its May Budget. This was primarily due to the continuing collapse of global prices for iron ore—the royalties from which account for no less than 20 percent of the state’s income.

The state Treasury revised down its iron ore price forecast for this year from \$US47.50 a tonne to \$46 a tonne. Just last year, the Treasury’s prediction was \$120 a tonne. According to the mid-year review, there will be another deficit of \$A3 billion in 2016-17 and of \$820 million in 2017-18.

Treasurer Mike Nahan said the revenue forecasts had been revised down by a total of \$17 billion over the forward estimates since May 2014. “That is the biggest revenue shock a government—state or federal—has experienced in Australia since the Great Depression of 1930,” he said.

Over the next three years, the state debt is predicted to spiral to \$39 billion, adding a substantial interest payment burden, and threatening the state’s AA+ credit rating—already downgraded by the world financial markets from AAA.

As measured by State Final Demand, Western Australia’s once booming growth rate has gone into reverse, with the mid-year review again revising it down to -2.25 percent (compared to the May budget estimate of -1.25 percent). Business investment is now estimated to have fallen 12.3 percent in 2014-15, one of the sharpest expressions of the plunge in investment across Australia.

The slump in demand for iron ore has been compounded by stepped-up output by BHP Billiton, Rio Tinto and other giant ore producers, all desperately trying to shore up their profit margins. Goldman Sachs last week predicted that iron ore will average only \$35 a tonne in both 2017 and 2018, citing “overcapacity in China’s steel industry.”

Yesterday, there was another indicator of declining iron ore prospects. Aurizon, an Australian coal and rail freight company, shelved its planned \$4.5 billion West Pilbara project in Western Australia’s north. Its partners, Chinese steel maker Baosteel, South Korea’s Posco and Hong Kong mining investor AMCI, indicated a lack of global demand. Aurizon, which was spun out of a privatised Queensland state rail corporation in 2010, suffered its biggest one-day share price drop as a result.

The third announcement was that more than 1,200 jobs have been axed from Chevron’s \$US54 billion Gorgon liquefied natural gas (LNG) project off the state’s northwest coast in the lead-up to Christmas. Last Thursday and Friday, 530 electrical workers were laid off, in addition to about 700 others over the past two weeks, including boilermakers, pipe fitters, welders and trades assistants.

Many of these workers were sacked, without notice, by SMSs, phone calls or notes slipped under the doors of their accommodation. Such methods have

increasingly become the norm to terminate the services of the tens of thousands of “fly-in, fly-out” workers nationally who once relied on these projects for their livelihoods.

Not only is Chevron’s contraction a particularly harsh pre-Christmas blow to thousands of workers and their families, who had been led to believe that the jobs would last until at least March. It points to the likely acceleration—driven by falling world oil and gas prices—of job losses on the seven large LNG projects that have been under construction in Australia for the past several years.

These developments further expose the long-cultivated myth of Australian exceptionalism, which depicted a “lucky country” that was somehow shielded from the crises of global capitalism. In 2010, *The Historical and International Foundations of the Socialist Equality Party*, the SEP’s founding document, emphasised:

“Throughout the history of the Australian workers’ movement, the Labor and trade union bureaucracies, together with the various ex-radical organisations, have promoted the myth of Australian exceptionalism as a counter to the development of socialist consciousness. In the latter part of the 19th century and the early part of the 20th, they characterised Australia as the ‘workingman’s paradise,’ where the laws of the class struggle did not apply.

“Today, in the midst of the greatest economic and financial crisis in three-quarters of a century, the illusion is once again being promoted that Australia is ‘exceptional’ and has ‘weathered’ the storm. While the first phase of the global financial crisis that began in 2007–2008 has passed, neither the world economy nor Australian capitalism can return to the past. A vast ‘restructuring’ of economic and class relations is underway on a global scale that will propel the working class into political struggle.”

The sharp reversal that has confronted Australian capitalism over the past two years has already brought forward a deepening assault on workers’ jobs and living standards. This has been spearheaded by mass retrenchments and closures in the mining, auto and steel industries, together with major budget cutbacks to health and welfare provisions, widespread privatisations and cuts to the public sector, and a drive to slash wage levels, including the abolition of after-

hours penalty rates.

In Western Australia, the Liberal Party government previously reacted to the initial signs of revenue collapse by eliminating thousands of public servants’ jobs in its 2014 and 2015 budgets. Now, it will freeze public sector recruitment, impose a clamp on public servants’ wage rises, and sell off an array of public assets, starting with Fremantle Ports, the Perth Market Authority, the Utah Point iron ore berth in the Pilbara. These measures will further push up the state’s unemployment rate, already officially at 6.6 percent—representing nearly 100,000 jobless workers.

Having enjoyed super-profits for two decades, the major mining-related companies and their political servants are ruthlessly imposing the burden of the economic breakdown on the back of the working class.

The only response of the opposition Labor Party has been to criticise the Liberals for “over-spending.” Shadow state Treasurer Ben Wyatt called the mid-year review a “train wreck” produced by seven years of “shocking” financial management. Wyatt refused to specify the cuts a Labor government would make, clearly anxious to keep Labor’s plans hidden from the view of the working class.

Labor, which was in office in Western Australia from 1983 to 1993 and 2001 to 2008, has long sought the backing of the corporate elite for the return to government by pledging to be more “fiscally responsible” than the Liberals. This means intensifying the dismantling of working class living conditions.



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