

Western Australian resources boom leads to deepening social inequality

By Joe Lopez,
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The Western Australian economy has experienced unprecedented rates of growth in recent years due to increases in the export of iron ore, natural gas and other minerals to China. Mining corporations have amassed huge profits and governments, state and federal, have enjoyed rapidly rising revenues.

Politicians from all the parties, along with the media, are trumpeting the old pro-capitalist theme, that “the rising tide of economic prosperity lifts all boats”. This may have had some truth for a limited period, in the years after World War II, and the hey-day of reformism, but it is certainly not the case today. The current export “boom” has, instead, brought a deepening social gulf between a super wealthy few and hundreds of thousands of ordinary working people, struggling to pay their bills and make ends meet.

The output from the state’s mining and energy projects is now worth \$80 million a day. China has overtaken Japan as the top destination, accounting for 28 percent of Western Australian exports. For the year to April 2007, WA exports to China were worth \$13.3 billion, up 41 percent from the previous year, 317 percent in the past five years and a staggering 966 percent over a decade.

Profits have soared, share prices have skyrocketed and a tiny handful of ultra-rich are raking in obscene amounts of money. Last year, Gina Rinehart, who inherited her father’s iron ore business, became Australia’s first female billionaire, with a fortune worth \$1.8 billion, according to the *Business Review Weekly* (BRW). This year, she doubled her assets to \$4 billion and was placed fourth on the 2007 BRW Rich 200 list.

Just behind her, in fifth spot on the Rich 200 list, is Andrew Forrest of the Fortescue Metals Group. He increased his fortune from \$810 million last year to a staggering \$3.89 billion this year. Moreover, his company has yet to dig any ore from the \$3.7 billion Chichester Range project, due to begin exports, mainly to China, in mid-May 2008.

This feverish expansion has taken its toll in human lives. In March this year, in the course of Fortescue’s drive to meet its May 2008 deadline, two workers died at a Fortescue railway camp when a category-4 cyclone demolished their shoddy temporary accommodation. The company refused to evacuate the men, despite repeated weather warnings.

In June, the increasingly unsafe conditions produced by the relentless drive for profit were also underscored by a protest at BHP Billiton’s iron ore operations near Mount Newman. More than 200 workers took the unprecedented step of signing a petition and speaking out on national television against poor safety standards and management intimidation.

Nevertheless, workers continue to pour into WA, lured by the prospect of a job and higher wages in mining and construction. The state’s population is growing by more than

125 people a day, and mining industry analysts predict that 40,000 extra workers will be needed in WA mine sites alone by 2015.

Absurd claims are being made about the WA “success” story. John Nicolaou, chief economist for the WA Chamber of Commerce and Industry, told the *New Zealand Herald* last year: “In Perth shoppers are deciding the colour of their new Porsche, whilst a Sydney shopper is trying to afford another box of cereal.”

A WA Council of Social Services report entitled “The rising cost of living in Western Australia” tells a completely different story. It concluded: “This boom is not producing benefits for all Western Australians, and in fact, it is producing adverse conditions for many people who live on middle or low incomes. The main reason for this is that the boom has caused the cost of living in WA to soar.”

Lack of services and infrastructure

The rising cost of living has been compounded by the failure of state and federal governments to invest their new-found revenues into much-needed physical and social infrastructure. While mining royalties have proven a boon to state and federal governments alike—this year, the Howard government’s revenue is estimated to increase by \$5 billion and the WA Labor government has recorded a record \$2.3 billion budget surplus—the money has gone into tax cuts for the rich and infrastructure for business, not services for the needy.

Public schools and hospitals are crumbling and record numbers of people are on waiting lists for public housing.

Housing costs have risen dramatically. In the state capital of Perth, the median weekly rent jumped from \$189 in June 2005 to \$270 in March 2007—an increase of almost 43 percent. Private rental vacancies have hit an all-time low of 0.8 percent—down from 4.8 percent in mid-2003. Rising property prices and higher interest rates have lifted mortgage repayments from less than 20 percent of family income in the late 1990s to well over 30 percent today.

For families on low incomes, household costs for fuel, food and transport have increased by \$70 per week during the past year, rising at a rate more than 2.5 times that in average wages. Community service agencies and charity groups report that the number of people in desperate straits is growing. From 2005 to 2006, there was a 54 percent increase in the number of people in need whom agencies had to turn away.

High rents have led to long waiting lists for public housing. To meet the WA government’s stated goal of public housing comprising 6 percent of total housing stock, an additional 2,380 dwellings would have to be built each year. Last month, the government announced, with much fanfare, the building of 124 more dwellings for the year.

Public schools across the state are overcrowded, underfunded and understaffed. The school year began with

a shortage of around 300 teachers, with regional cities and towns facing the biggest problems.

Likewise, the public health system faces an acute crisis. In early 2001, Labor was elected to power promising improvements, but the opposite has taken place. Problems abound in every area—from public hospitals and mental health services to children's health, Aboriginal health and regional services.

One glaring example is the lack of public hospital beds. Between 1999-2000 and today, Perth's population has increased by 38 percent, from 1.3 million to 1.8 million—that is, by half a million people. Over the same period, the number of public hospital beds has increased by a total of just 77—from 3,490 in 1999-2000 to 3,567 now. In that period, public hospital admissions have jumped by 15 percent from 298,871 to 343,900—an increase of more than 45,000.

The socialist alternative

Corporations and governments seem to assume that the WA resources boom will last forever, with economic analysts generally predicting another 15 to 25 years of high growth. But the reality is far more uncertain. Not only is China itself wracked by deep social divisions and financial instability, its rapid growth is heavily dependent on exports, particularly to the US. Any downturn or major financial crisis in the US or Europe would have immediate ramifications in China,

impacting directly on Australian exports. If this were to happen, Western Australia, in particular, would face an immediate and precipitous downturn, with the burden being placed squarely on the shoulders of the working class—not only in WA but throughout the country.

The Socialist Equality Party is standing candidates in the federal election in New South Wales, Victoria and in Western Australia—in the seat of Swan—to place before the working class a genuine alternative to the two parties of big business—Labor and Liberal. We are fighting to develop an independent political movement against militarism and war, against deepening social inequality, and against the ongoing assault on democratic rights. The aim of such a movement will be the socialist transformation of society—to put an end to a social and economic system that benefits the wealthy few at the direct expense of the majority of ordinary working people.

The SEP calls for the major corporations, including the mining companies, banks and financial institutions, to be placed under public ownership with the fullest democratic control by the producers themselves over economic policies and priorities. Only when social need, not private profit, becomes the organising principle of production and all aspects of social life, will the extraordinary human and technical resources now available be utilised to provide decent working conditions, a better living standard and a safe environment for all.

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