THE WORKERS' AUDIT

A document by angry workers, for angry workers to debunk some audit commission myths.

Is Qld $100 billion in debt?

No.

That is the projected borrowing figure for 2018-19 that the Queensland Commission of Audit (QCA) came up with, based on their views of the last 10 years of spending by the Labor Government (*Initial Report*, p3). It neglects to say that for most of this period, the government was in surplus and experienced a revenue and population surge that both required, and allowed for, funding for capital works.

The actual figures are:

The state, as of the 2010-11 financial year, has a net worth of $171,211 billion and a debt of $41.018 billion (p26)

The QCA has changed the way that QLD Government debt is measured, from a operating balance method to a fiscal balance. This change has allowed the QCA to exaggerate the level of debt. The operating balance of the government in 2010-2011 was a small deficit of $1.5 billion, but the QCA's fiscal measure changes this figure to a deficit of $7 billion (p29).

An operating balance is the difference between income and expenditure: think about the difference between your income and how much you spend in the same year. A fiscal balance is the operating balance plus the cash needed for future expenditure. Under this measurement not only QLD but Vic, NSW and WA are also in deficit (p30). -The forward estimates compiled by treasury before the election show an operating balance in surplus and a much smaller fiscal deficit by 2015-16 if things continued as they were (p35).

Are Public Servants being paid with borrowed money?

Although the public service grew at a higher rate than population growth, this is because QLD was so far behind compared to other states. The growth in public sector employment was focused in health, communities and police, with targets of 85% frontline staff in Health, for example. QLD public sector wages are still 97.4% of the national average and have grown slower than private sector wages since 2008 *(for these figures and a more in-depth look at Qld public sector wage growth see "Introducing the Qld Treasurer" http://blogs.crikey.com.au/pollytics/)*. The QCA *Interim Report* states "much of the increase in staffing numbers was directed at front-line services" (p8). These include, according to the *Interim Report*; child safety, hospital beds, higher wages for doctors, nurses and clinical staff, public transport infrastructure, disability services and the introduction of a prep year (p7). Far from being "waste", each of these are essential services. Public sector wages have not ballooned or caused the debt; increases in expenditure have been directed at crucial frontline services rather than a larger bureaucracy.

So what caused the debt?

The LNP Government regularly claims that the debt is due to too many public servants and high public servant wages. The QCA in the *Interim Report* claims that the cause was the 'ill-discipline' of the previous ALP government (p10). But the report contradicts itself. Earlier it grudgingly admits that the state was 'vulnerable and exposed to adverse shock, including the financial crisis of 2008 and the natural disasters of 2011'(p7). Whilst the *Interim Report* tries to lay the blame of this risk to state expenditure, Treasury tells a different story.

The *2007-08 Budget* shows how with the Qld economy growing at 5% a year at that time, the government was able to return an operating surplus of $268 million whilst investing in health care and water supplies and other capital works. With the financial crisis this changed, and the 2008-09 Budget reveals that the state government through the Queensland Investment Corporation invested $27 billion in financial markets to fund 'future employee and other obligations'. The government expected a return of the 7% but due to the financial crisis instead received 2% - this produced a deficit of $995 million (p3). The financial crisis has continued to impact on the state government revenue. The *2009-10 Budget* reveals that revenue dropped due to lower taxation revenue, decreased coal royalties, and lest GST revenue given from the Federal Government (p44). This continued in 2010-11, and 2011-12 with the natural disasters making the condition even worse.

Rating Agencies are not our friends

What exacerbates this situation is the power of rating agencies. These are private bodies that evaluate an entity's ability to service its debt. The rating that an entity gets affects what interest rate it can borrow at. In 2009 Standard and Poors downgraded Qld's debt from AAA to AA+. It is the express purpose of the QCA (in fact its first stated goal), to enact 'policy settings and strategies to address any structural factors affecting the State's finances, and to restore its AAA credit rating'(p205). Ratings agencies do have a lot of power, but let's not accept their infallibility. Standard and Poors were instrumental in giving AAA+ ratings to the institutions that traded in Certified Debt Obligations and collapsed during the financial crisis (the Qld Government now uses the rating agency Fitch's).

An Overall problem

This is the hidden story of the cuts. Qld had been financing its operations by taking tax payer funds and investing them in financial markets, the financial crisis caused the ballooning debts and now the government is tailing its policy to pleasing key players in these markets. And who has to 'pay' the debt? We do - through job cuts and insecurity in the public service and reduced provision of social services. Society pays for the crisis of financial capitalism. This is the same story being played out across the world.

And what does the QCA recommend? The I*nitial Report* suggests two stages in its strategy. The first is the capping of growth in employee expenses at 3% (p191)- and this means jobs cuts and in effect wage rises lower than inflation and cost of living increases – in other words a pay cut. It is the second wave of policies which is really worrying. Here the government plans to reduce debt to revenue ratio to that of 60% (p180). It plans to do this by a combination of asset sales (p15) and restricting the use of public health and education to only 'those that need it most'(p203). While the language sounds very altruistic what this means that the QCA recommends the government only provide health and education in circumstances where 'no other provider exists'(p203). This is an agenda of massive privatisation, of a state that increases an onerous burden of work on its employees, that sells off more assets and pulls away the provision of services to the majority of people – and one that focuses on the 'sustainability of the State's capital program' (p205) which reading through the lines we can understand as building and maintain infrastructure for the benefit of mining interests.

So now we can see it – the deficit was caused by an approach to financing the state through investing and speculating in global financial markets, when these collapsed the state was left with a deficit that was exacerbated by natural disaster. Now the people of Queensland are having to pay for it as the LNP government also exaggerates the debt to enact an agenda of privatisation, cuts and austerity. This may please banks and lenders, and mining companies stand to gain too. But we all lose. We have to work together to refuse to pay for their crisis, to insist that our lives are more important than balance sheets, and to defend social solidarity and dignity.

This was leaflet written by a group of annoyed workers, based on official documents from the QLD Commission of Audit and Treasury.

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