

Liberals impose austerity in Newfoundland and Labrador

By Janet Browning
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In a brazen abandonment of its election promises to protect public sector jobs and services, Dwight Ball's Newfoundland and Labrador provincial Liberal government has spent its first year in power implementing devastating austerity measures.

The Liberals benefited from their anti-austerity pose in last November's election, defeating the long-sitting Progressive Conservative government. But under conditions of deepening economic crisis, the Liberals have proven no less determined than their predecessor to offload the costs onto the backs of working people.

The rapid reduction of off-shore oil industry activity due to plummeting oil prices, the closure of an iron-ore mine in Labrador putting 3,000 people out of work, and the recent reduction in fishing quotas and resultant closure of fish plants has led to rising unemployment and poverty across the province.

Thousands of jobs have vanished since oil prices started to plunge in mid-2014. By January 2016 the province's unemployment rate had risen to 16.8 percent, over twice the seasonally adjusted Canadian average of 6.9 percent. The jobless rate in September was 12.3 percent, but much of the fall is due to thousands of people leaving the province.

A fifth of Newfoundland's energy sector workforce has been let go and the misery has spread to a large swathe of service sector jobs, from taxi drivers to restaurant staff.

Newfoundland and Labrador's annual offshore oil production, which has declined steadily over the past decade, fell to 62.6 million barrels last year from a peak of 134 million barrels in 2007, according to the offshore regulator C-NLOPB.

Non-renewable off-shore oil royalty revenues, which accounted for 32.8 percent of the province's revenue in 2008 and 30 percent of provincial revenue last year, have declined by \$888 million and are expected to provide just 7 percent of the province's revenue this fiscal year. In boom years, oil royalties netted the province \$2 billion. This fiscal year they are on course to barely garner \$500 million.

In presenting his first austerity budget earlier this year, Ball justified the axing of public sector jobs and a wide range of social spending reductions and tax hikes by claiming they were necessary to combat a \$2.7 billion operating deficit in 2016. Ball claimed the cuts would reduce the shortfall to \$1.83 billion on a 2016 budget of \$8.5 billion.

Total provincial debt is projected to reach \$14.7 billion this year, up from \$12.6 billion last year. Real Gross Domestic Product (GDP) is forecast to shrink by 1 percent in 2016.

On July 1 the Ball government increased the provincial portion of the Harmonized Sales Tax by 2 percent, bringing it to 15 percent on most goods and services; doubled the 16.5 percent gas tax to 33 cents per liter; increased diesel tax by 5 cents per liter; hiked the aviation fuel tax by 2.5 cents a liter; introduced a new 15 percent Retail Sales Tax on property and casualty insurance policies (on top of the HST increase); and increased personal income tax rates.

Despite the brutal austerity measures and tax hikes, the Moody's bond-rating agency down-graded the province's credit rating from Aa2 to Aa3 on July 22. It fixed the province's fiscal outlook as "negative," noting that the amount the province must spend on debt

servicing will reach 12 percent of total projected revenue by 2020, “a high level compared to international peers.”

This year the Ball government will spend \$1 billion on interest payments and, in a province that has Canada’s lowest literacy rate, just \$900 million on education.

The budget announced the elimination of at least 650 public sector jobs to save \$243 million. Government spending cuts are expected to cost an additional 2,000 private sector jobs.

A number of benefits and grants were completely abolished. These include the Home Heating Rebate Program, the provincial Baby Bonus/Parental Benefit Program which saw parents receive up to a \$2,200 non-taxable payment on the birth or adoption of a child, and the Department of Education and Early Childhood Development’s Transportation Benefit.

The government also cut ferry service, imposed caps on government-funded drug and medical programs for the poorest sections of the population, and increased home care costs.

Tax and fee hikes totaling \$647 million annually and sweeping service cuts will hurt those with the lowest incomes the most: poor working class people, youth struggling to stay in school, those living in the rural out-ports, and children, the sick and the elderly living on fixed incomes. The impact of the budget has been pegged at a \$3,000 reduction in disposable income for the average family.

The provincial public sector, which accounts for 46,000 full-time jobs, was told by the Liberals to find savings of 30 percent, resulting in massive cuts to operations and infrastructure spending. The province’s largest health authority, Eastern Health, has since announced it will eliminate 107 jobs and cut spending by \$13 million. Other cuts include the closure of a 10-bed residential psychiatric unit in the Waterford Hospital, the closure of the Masonic Park long-term care facility, the elimination of routine breast cancer screening for women aged 40-49, and a reduction in X-Ray services. The cuts to the medical transportation benefit will severely impact those with frail and sick family members, as many medical procedures require traveling long distances.

A total of \$40.4 million has been cut from the capital budget, further reducing employment in the construction trades. Construction of six schools and of new hospitals in Corner Brook and Waterford hospitals has been canceled.

The initial budget announcement included a new “Deficit Reduction Levy” or poll tax on anyone earning more than \$20,000 per year, a brazen cash grab which the government had to cancel after huge public opposition and protests in front of the Confederation Building, the seat of the provincial government.

Finance Minister Cathy Bennett has signaled more layoffs will be necessary to create a more “sustainable” government workforce. The Newfoundland Association of Public Employees (NAPE), the province’s largest public sector union, has not lifted a finger to fight the cuts. The *Globe and Mail* reported on March 19 that NAPE President Jerry Earle had said, “There’s no way to avoid people losing their jobs.”

The Newfoundland and Labrador Liberals are closely aligned with the federal Trudeau Liberal government as well as the Liberal governments in Nova Scotia and New Brunswick, which have also imposed austerity measures in the face of stiff public opposition.

The record of the Liberal governments in the Atlantic provinces, to say nothing of that of the Ontario Liberal provincial government, exposes the thoroughly dishonest attempt of Justin Trudeau and the federal Liberals to portray themselves as an anti-austerity party concerned about the “middle class” and defending jobs and promoting economic growth. In reality, the Liberals are no less ruthless than their Conservative and New Democrat counterparts in imposing the dictates of big business wherever and whenever they hold power.

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