



## CHINA SHOP

### Victoria: What Went Wrong?

*Kenneth Davidson argues that the Victorian Socialist Left has blood on its hands following the Cain government's fall from grace.*

When any government sacks its treasurer and his departmental head it is a fair bet that the government concerned has reached a terminal condition irrespective of the competence of the opposition. Sclerosis set in in Victoria in December 1988 when losses by the Cain government's venture capital financier, the VEDC, caused the government to collapse the operation into the conservatively-run Rural Finance Corporation and sacrifice the loyal and competent Deputy Premier, Mr Fordham.

From then on the Treasurer, Mr Jolly, found it virtually impossible to get even the most straightforward decision out of the Premier. The view of the Premier's Department that the state government should distance itself as far as possible from involvement in business development decisions has come increasingly to be the position of the government itself.

The rot began with the removal of the Centre Unity (i.e. Right) aligned Transport Minister, Mr Roper, in December 1987. Mr Roper's redundancy program was popular with the rank and file, who saw the opportunity of a generous windfall and the

prospect of a new start in a state with very strong demand for labour. But it offended Left unions, who saw their power base within the Victorian branch of the ALP being threatened.

Mr Roper was replaced by the Left's Mr Kennan, who stopped the redundancy program and with it rationalisation of the Victorian transportation system. However, because of federal government funding cuts last year, Mr Kennan was required by Cabinet to achieve a quick cut in the transport deficit.

If Mr Kennan had continued the Roper restructuring, the required cut in the deficit would have been achieved over two years by the introduction of automated ticketing. Instead Mr Kennan was forced to go for the quick fix - an attack on the tram conductors, who, because of their rapid turnover were perceived as the soft underbelly of the transport unions. They were to be replaced by the scratch ticket, which required a minimum of capital and organisation.

This disaster came on top of the \$1.4 billion losses of the State Bank of Victoria (SBV) merchant banking subsidiary, Tricontinental, which led to the sacking of the Treasurer, Mr Jolly, and his departmental head, Dr Sheehan. They were sacked despite the fact that the board of Tricontinental, which was directly responsible for the losses, was appointed by the State Bank Board - traditionally the most independent of the government's statutory authorities.

In retrospect it is clear that the corporate lending by Tricontinental which got the SBV into trouble was to finance takeovers and other assorted share plays which were never going to produce value added for the state or the nation even if the money had been repaid. The state government was not aware of the individual loans which resulted in the massive losses by the SBV, nor would the government have been told if it had asked. In no way could the lending be construed as being encouraged or validated by the state economic strategy.

Mr Jolly and Dr Sheehan may reflect that they are the most spec-

tacular victims thus far of financial deregulation. Both men may have survived if there had been a better understanding in the electorate of the concept of ministerial responsibility and its limits and their overall success in managing the state economy, which in terms of growth, employment and household incomes is still outperforming the rest of Australia.

But they had no hope when it became clear that since the failure of the VEDC in 1988, the Premier no longer had any confidence in their economic development strategy, and when the leader of the Socialist Left and some ambitious backbenchers began to undermine their authority via the media after the SBV losses became apparent.

Thus the Socialist Left has managed to get rid of the only Labor minister and the only competent senior bureaucrat in the country who both not only believed that government could play a positive role in economic development, but also set up the structures to put such a policy in place.

The economic strategy - which was an attempt to build on the state's competitive strengths, its strong scientific and manufacturing base and skilled workforce - has been junked in favour of public relations stunts aimed at creating sympathetic photo opportunities for ministers.

Seen through the prism of the media, the Cain government is now reminiscent of the aimlessness of the Hamer/Thompson period of conservative government, when success as a minister was measured by how often one could get one's photo in the *Sun* or the *Herald*.

The Deputy Premier, Mrs Kirner, is interviewed every other day explaining how she would never challenge Mr Cain for the leadership of the party, even though it is clearly implied that she has both the numbers and the necessary qualities for leadership. In the process the Left leeches away further the small amount of authority the Premier still has and Labor's small chance of survival at the next election.

KENNETH DAVIDSON is a senior political writer for the *Age*.