Australia: Behind the $33.49 million package for Macquarie Bank's chief executive

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The announcement last week that Australia's highest paid executive Macquarie Bank chief Allan Moss received a massive 57 percent hike in his annual remuneration package last year further highlights the vast and widening gulf between ordinary workers and the handful of super-rich that control the economy.

Moss was paid $33.49 million, including $23 million in performance disbursements and $1.4 million in share options, or approximately 601 times the $55,640 that an Australian worker on average receives per year. In other words, Moss—at approximately $92,000 per day—receives more in a day than the overwhelming majority of employees earn in a year. Macquarie Bank's top 20 executives split nearly $209 million between them after the bank boosted its profits by 60 percent to $1.46 billion. At the same time, its share price grew by 27 percent.

Under conditions where workers' living standards are being pushed back and wage rates have only grown to just over 4 percent during the same period, talkback radio and letters to the print media were dominated by furious denunciations of the Macquarie chief's earnings. The most common descriptions were "shameful," "obscene," "disgusting," "unjustified" and "outrageous". Several letter writers pointed out that growing inequality had produced a social disaster in Australia; others called for massive tax increases on all those earning over $1 million per year.

Such was the depth of anger that Prime Minister John Howard felt obliged to feign concern over the salary hike, telling ABC radio that some executive salaries were "over the top".

Howard's remarks are utterly bogus and driven entirely by the approaching national election, which, according to recent polling, could produce a landslide defeat for the government. The Howard government and its Labor predecessors—state and federal—over the past two and a half decades have done their utmost to remove any obstacles to the amassing of huge profits by Macquarie Bank and other companies.

Naturally enough, the corporate media and various business chiefs defended Moss's remuneration package, declaring that it was in line with international business practice. Institute of Public Affairs executive director John Roskam, writing in the *Australian Financial Review* on May 18, claimed that Macquarie's operations "ultimately led to a higher standard of living" because they lowered government and business costs.

"Many Australians," he declared, "are afraid, and even ashamed, of the financial rewards that come from hard work.... For many Australians (including our politicians) the world of $30 million bonuses to company executives is very unfamiliar and very uncomfortable. But it is a world we had better get used to."

Roskam's claim that Macquarie Bank, commonly referred to as the "Millionaires' Factory", improves overall living standards is false. In fact, the company's operations produce nothing of any real social value.

Macquarie Bank emerged in the early 1970s and currently manages assets worth about $56 billion, including $25 billion invested in infrastructure, transport, property, energy and numerous other enterprises.

The corporation has investments in over 24 countries and is the world's largest operator of private toll roads and airports. It owns the Sydney, Bristol, Birmingham, Brussels, Rome and Copenhagen airports and major share portfolios in media, communications, healthcare companies and other vital social services. In Britain it owns Thames Water, one of the world's largest water companies, the M6 Toll road, Wales and West Utilities and Airwave O2, Britain's police and emergency services radio network.

The conditions for Macquarie Bank's rapid growth initially emerged in the late 1980s with the privatisation of state-run assets in Australia and the establishment of compulsory superannuation by the Hawke and Keating Labor governments. This provided the bank with access to large amounts of capital to fund its forays into profit opportunities opened up by the privatisation of state-owned industries and services internationally in the 1990s.

A key component in Macquarie's profit making has been from the fees and commissions it charges for Public Private Partnerships and other complex financial mechanisms devised to sell-off or contract out government services. In the last 12 months, the bank increased its earnings for this sort of financial advice by 25 percent to $3.5 billion.

It is not possible to provide here a detailed overview of the company's myriad activities, but a few examples make clear that its operations are thoroughly parasitic, with terrible social consequences for masses of ordinary people.

Last year Macquarie Bank purchased Dyno Nobel, the Norwegian explosives company, for $2.3 billion. It then sold $913 million worth of the business to its long-time client Orica, underwrote the transaction for Orica and then floated the rest of the company in a $1.9 billion share operation while retaining a 4 percent stake for itself. The operation, which added $1.4 billion or about 19 percent to the bank's total revenue and over $100 million to its profit line in the past 12 months, did not create a single job.

Last year Thames Water—privatised under Britain's Thatcher government in 1986—was sold to a consortium led by Macquarie Bank. Purchase of the company was preceded by the axing of 4,000 jobs, the slashing of operating costs and the run-down of basic maintenance. These measures led to Thames Water becoming England and Wales' worst polluter, incurring massive fines from the Environmental Protection Agency.

Nothing changed under Macquarie Bank ownership. Soon after the purchase the bank announced it would sell off a number of the water company's subsidiaries, guaranteeing more job losses and environmental damage. Last April, for example, its Scottish subsidiary was responsible for millions of gallons of untreated human excrement flowing into the Forth River estuary after a pump broke down.

The spill, which endangered the health of hundreds of thousands of local residents, was a direct result of cost cutting. And the company did not bother to inform the public of the catastrophe for more than 40 hours after the breakdown.

Likewise Macquarie's aged-care and retirement home investments have generated lucrative earnings for the company to the detriment of basic health standards.

Last year the Macquarie Capital Alliance Group purchased Retirement Care Australia, which owned 26 aged-care facilities previously controlled by the Salvation Army and the Moran Health Care Group. Macquarie is now Australia's largest investor in retirement facilities. Along with rentals, which are taken directly from retirees' pensions, residents are charged an upfront lump sum payment, sometimes as high as $500,000, in order to gain entry. The company keeps a portion of this money when the resident dies or leaves the village. Retirement home operators are also paid $35,000 per year by the federal government for every person in a nursing home.

All this provides windfall profits for the company, which, like its competitors, is constantly devising ways to cut operating costs. Homes for poorer retirees are invariably health risks with regular and increasing incidents of chronic ill health or death resulting from inadequate health care.

A few days after Macquarie Bank announced its record annual profit another example of the destructive human consequences of the corporation's operations was exposed by Brant Webb, one of two miners trapped inside the Beaconsfield gold mine for five days last year following a massive cave-in.

The now closed Tasmanian mine was a joint venture between Macquarie Bank and Beaconsfield Gold and Allstate Explorations. In 2001, Allstate went into receivership and in 2002 Macquarie bought $77 million of its debt for $300,000. It reportedly earned $27 million from the mine before the tragedy in April 2006.

Although Macquarie has denied any influence over the mine's operations, Webb told the *Australian* newspaper on May 19 that unsafe work practices at the mine were the product of desperate attempts by the operating management to repay its debts to Macquarie.

Webb explained that the accident, which not only trapped Webb and work mate Todd Russell but killed 44-year-old miner Larry Knight, occurred because management had "repeatedly ignored" workers' safety warnings. "Greed for gold," he said, was the only reason he and others were working in an area that had collapsed six months previously.

"All they kept saying at every meeting was, 'We owe Macquarie Bank this much money and this is our budget and if we mine this we've got a chance of staying here and if we don't do this or that we haven't got any chance'," he continued. "We were always threatened with 'Macquarie Bank will close us up—one more month of us making no money and Macquarie Bank closes us up'. They used Macquarie Bank as this pawn all the time."

While an official investigation into the accident by the Tasmanian government is due to hand down its findings in September, Macquarie Bank is currently opposing a Freedom of Information request in the Administrative Appeals Tribunal for the Australian Securities and Investments Commission to reveal documents related to Allstate. In other words, the company is trying to prevent any exposure of the human impact of its profit-gouging operations.

Last year's tragedy at Beaconsfield gold mine is only one of a litany of social disasters created by the market forces from which Macquarie Bank makes its huge profits. It is these disasters that lie behind the massive salary packages made by the bank's senior executives.