Wealth of Australia’s super rich up by 26 percent

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In what has been billed as “a golden year” by the *Business Review Weekly*, members of Australia’s Rich 200 have boosted their total wealth by 26.7 percent to $128.6 billion in the past 12 months. This is the largest rise in the history of the survey and follows last year’s record-breaking 22 percent increase.

The average net worth of the richest 200 is now $688 million, up from $508 million in 2006. The minimum required to join the exclusive club has increased from $130 million to $180 million.

Topping this year’s list is media and gaming tycoon James Packer with $7.25 billion, followed by property developer Frank Lowy at $6.5 billion and Richard Pratt, paper and cardboard manufacturer, at $5.4 billion, up $200 million from last year.

In 1987, when *Business Review Weekly* (BRW) first began its annual survey, there were only two billionaires in the group. Today there are 30, with 9 new entrants in the past year alone.

One of the magazine’s sidebar articles, entitled “Arriving in style”, commented: “If any further proof is needed that 2007 has been a stellar year for the rich, look no further than the list’s newcomers.... They didn’t stand outside the gates of the Rich 200 citadel waiting patiently for entry; they stormed them.”

Among those joining the billionaires club is Australia’s richest woman Gina Rinehart ($4.0 billion), Andrew Forrest ($3.86 billion) and Clive Palmer ($1 billion), all with massive profits generated by iron ore deals with China.

Like James Packer, who took over the PBL and Consolidated Press media corporations when his father died in late 2005, Rinehart inherited most of her money from her father, mining baron Lang Hangcock.

Rinehart virtually doubled her fortune in the past year; Forrest boosted his wealth almost five-fold, at the rate of $8.4 million per day, and Palmer, who was not even a member of the Rich 200 last year, rose to become a billionaire.

Most of this came not from actual iron ore exports but from share value increases generated by recent agreements to supply additional amounts to the rapidly growing Chinese manufacturing industry. And with profit margins for Australian iron exporters currently running at 50 percent, Rinehart et al could see their wealth escalate even more dramatically in the next 12 months.

Mineral exporters, however, form a small minority of the Rich 200. Most are involved in property and construction (55), investment (25) and financial services (18). Only three of the top 20 are manufacturers.

Kerr Neilson, in financial services, enjoyed the largest single increase in personal wealth. His fortune climbed by 471 percent from $443 million to $3.53 billion, or $8.5 million per day.

Neilson is the founder of Platinum Asset Management, one of the numerous financial service companies and equity funds that have grown out of the privatisation of state-run assets in Australia and the establishment of compulsory superannuation by the Labor governments of the late 1980s. This provided access to large amounts of capital to fund various speculative opportunities in Australia and internationally.

Along with financial services and property speculation, another sizeable source of profits has been the private health and aged-care sectors. The ongoing erosion of state-funded medical services by consecutive Liberal and Labor governments has provided a windfall in this sector.

Paul Ramsay, the founder and biggest shareholder in

Ramsay Health Care, Australia's largest private hospital operator, is on the Rich 200 list with $1.15 billion. His company currently runs 65 hospitals and the largest number of private mental health care facilities in the country. Ramsay is a member of the National Youth Mental Health Foundation's advisory board, a close friend of Prime Minister John Howard and a major donor to the Liberal Party.

Gaming machine barons Les Ainsworth and Bruce Mathieson, who derive much of their income from the most oppressed and vulnerable layers of the population, are also members of the billionaire club. Mathieson lifted his wealth from $810 million to over $1 billion.

Wine producers Bob Oatley and the Casella family are still counted among Australia's wealthiest. The Casellas, now Australia's 16th richest family, produce Yellow Tail Wines, while Oatley, who owns wineries throughout the country, lifted his wealth from $130 million to $1.4 billion.

While not yet a billionaire, actress Nicole Kidman is one of Australia's richest women. She lifted her wealth in the last 12 months from $200 million to $237 million and now commands more than $15 million per big-budget film production.

A major feature of this year's profit-making has been an explosion in asset sales and takeovers, fueled by private equity companies using superannuation savings. Members of the Rich 200 list appropriated more than $15 billion through asset sales over the past year.

Media proprietors, James Packer ($7.25 billion) and Kerry Stokes ($2.7 billion), for example, sold half their media businesses—$4.5 billion and $4 billion respectively—to create cash piles that they are now using for other acquisitions. Packer is expanding the gambling side of his business.

As Queensland furniture retail billionaire John Van Lieshout, who sold his business to a private equity company, said: "I got 13 times earnings. I think only once in a lifetime someone comes along and offers you that sort of money." Others on the Rich 200 list spoke of "offers too good to refuse".

As the super-rich continue to accumulate obscene levels of wealth, masses of ordinary Australians are struggling to maintain their mortgages, pay higher rents, and cope with rising petrol prices and other essential living expenses.

The same week BRW announced its Rich 200 list, Australia's housing affordability index dropped to the lowest level in 23 years, the fourth consecutive quarterly decline. The March quarter figures revealed that monthly loan repayments on a typical first-home mortgage had risen by 1.5 per cent to an average $2,387 per month across Australia, and $3,000 per month in Sydney and Perth. Repayments accounted for 30.7 percent of an average first-home buyer's income.

In addition, according to the Reserve Bank, Australian households now owe $160 for every $100 of disposable income, up from about $50 in the early 1990s, with families paying a record 12 percent of their disposable incomes on interest payments alone. Credit card debt has also increased—by almost $5 billion to $39.5 billion, or nearly $2,000 per person in the 12 months to March. Bank customers are paying 21 percent more in penalty fees on credit cards, and the banks have raked in more than $1 billion—up 13 percent from last year's $899 million.

Personal bankruptcies, moreover, are accelerating at twice the rate they were last year. Insolvency and Trustee Service Australia chief Terry Gallagher told a recent Senate hearing on personal debt that bankruptcies grew 12.5 percent in the nine months to March, to about 30,000 a year. Fifteen years ago there were 13,000 a year.

The Senate was told that debt repayment agreements—with the countless parasitic finance companies offering customers the chance to pay back part of a debt rather than go bankrupt—jumped 32 percent in the nine months to March.

Figures from the Supreme courts of Victoria and NSW also indicate an increase in mortgage defaults and repossessions. NSW, for example, has experienced a 75 percent increase in repossessions in the past three years.

While the BRW celebrates the increased fortunes of its Rich 200, these statistics make clear how they were made: at the direct expense of the wages, jobs and living conditions of the vast majority of ordinary working people.