

# New Zealand earthquake costs continue to rise

John Braddock  
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The final costs for the earthquake that has devastated much of Christchurch, the main city on the South Island of New Zealand, may reach \$NZ4 billion (\$US2.87 billion), almost double initial estimates. Treasury Secretary John Whitehead declared on Wednesday that the state-owned insurance body, the Earthquake Commission (EQC), would likely pay out \$2 billion in claims resulting from the disaster, but that the wider bill would be far higher.

The city of 340,000 people and surrounding area was hit by the 7.1 magnitude quake at 4.35am last Saturday. Over the past week, almost 300 aftershocks up to magnitude 5.4 have shaken Christchurch, causing ongoing anxiety and further dislocation. The conservative National government has extended a state of emergency until at least next Monday and has called in additional soldiers from the Army to assist police to enforce a curfew and “no-go” areas around the central business district.

For much of the past week, hundreds of people have been staying in welfare centres and temporary accommodation in school halls and the Addington raceway. At one point, 3,500 homes were without power and all residents were being advised to conserve water and boil whatever they needed due to the risk of sewage contamination.

An estimated 100,000 of the 160,000 homes in the Selwyn, Christchurch and Waimakariri areas have been damaged, along with some 400 farms, disrupting dairy production routines. Schools have been closed.

According to the *Dominion Post*, six out of 10 homes in Christchurch and the wider Canterbury region will

need repairs, and some owners could be waiting more than a year for the money they need to rebuild. Some may not be able to be rebuilt at their pre-quake location at all. Treasury secretary Whitehead told journalists: “Until geologists and others do their work we don’t really know.”

The Treasury estimate of the damage underlines the paltry sums that have so far been offered by the government to assist ordinary people to re-establish their lives. After an extended cabinet meeting on Tuesday, Prime Minister John Key said the government response would begin with a \$5 million grant to an existing “Mayoral Fund” for those “most in need”. A \$94 million fund for rebuilding roads will be made available to the Christchurch region.

Key said that the government expected to pay for 90 percent of the cost of infrastructure, but the rest would be covered by local ratepayers. Repairs to damaged roads, water and wastewater infrastructure will cost hundreds of millions of dollars.

Most households will be dependent on their insurance cover and the state-run EQC, which has around \$15 billion invested offshore. The EQC only makes payments, however, to residents who already have private home and contents insurance. They are able to claim up to \$100,000 on buildings and \$20,000 for contents, after which their private insurance is triggered.

It is estimated that 5,000 uninsured homes were damaged in the quake. Their owners, typically people who were already struggling to make ends meet before the disaster, will not qualify for financial assistance

unless they can demonstrate “true hardship”. Key callously declared: “The very strong message we need to send to New Zealanders is that they need to have insurance.” If the government cheque book was “thrown open”, he went on, it would create a “moral hazard”. The most the uninsured can expect is access to a narrow range of social services, including psychological counselling.

The *New Zealand Herald* endorsed the government’s stance, insisting that even though people may have stopped paying insurance as a cost-cutting measure during the recession, “risk takers” needed to be “put on notice”. An editorial on Wednesday, headlined “Government right to give risk-takers the message”, declared that state assistance would only encourage people not to insure their houses because they would not have to bear the cost of a major catastrophe. “They would, in effect be insulated from risk,” the *Herald* argued.

Such contempt and indifference towards the most vulnerable victims of the earthquake will be repeated over and over as events unfold. The hypocrisy involved, however, is nothing short of breathtaking, coming just a week after the government carried out a record \$1.7 billion bailout of investors in the failed South Canterbury Finance (SCF) company. In that case, the entire ruling elite was unanimous that bailing out financial sector “risk takers” was necessary to protect the wider economy. SCF’s preferential main creditor is the private equity fund Torchlight, belonging to businessman George Kerr. Kerr is ranked 29th on the 2010 *National Business Review* ‘Rich List’, with a personal fortune of \$180 million. Yet Torchlight is in line to receive \$100 million from the government’s deposit guarantee scheme.

Working people in the Christchurch region face a truly desperate situation. Not only have many suffered major damage to their homes, a significant number now face an extended period of unemployment. Under an emergency wage subsidy scheme, a meagre \$350 per week pre-tax subsidy will be paid to employers to continue paying workers. The government is asking, but not requiring, employers to make up the difference. The subsidy is only for businesses with fewer than 20

employees that cannot trade or pay their workers because of earthquake damage. It will initially last for just four weeks, after which businesses can re-apply.

Key said up to 5,000 businesses could fit into the category and up to 77,000 employees could be eligible for the subsidy. Only \$15 million has been put aside for payments to laid-off workers.

Permanent layoffs have already begun. More than 80 jobs are to be axed from the Kaiapoi New World supermarket, which has been closed and is set to be demolished. While it will be rebuilt, this could take a year. Foodstuffs South Island chief executive Steve Anderson boasted that a two months’ severance pay given to 34 full-time and 52 part-time staff was “significantly above” what was required by their contract. The announcement brought fulsome praise from National Distribution Union secretary Robert Reid, who declared that the miserly pay-out was “the type of arrangement we are supportive of and hopefully it will be a model for other companies.”



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