

Australia: Gillard announces aid for business, nothing for flood victims

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The so-called flood relief announced today at the National Press Club by Australian Prime Minister Julia Gillard is an utterly inadequate package of just \$5.6 billion—compared with estimated damage of \$20 billion. Throughout her speech, Gillard made clear that the priority of her government was not assisting the victims of the floods, but meeting corporate demands that her government return the budget to surplus by 2012-2013 and restore damaged infrastructure that is necessary for the highly profitable operations of major mining conglomerates.

The Labor government is the representative of the most powerful financial and corporate interests and utterly indifferent to the plight of the working class and small business. In Queensland alone, dozens of people have lost their lives and some 28,000 properties and businesses have been inundated by the floods that have engulfed large areas of the state over recent months. It is estimated that 60 percent of those affected do not have insurance for flood damage.

Thousands of business and home owners in Brisbane, for example, did not take out costly flood insurance because they were lulled into a false sense of security by assurances that mitigation measures, such as the Wivenhoe Dam, had removed the risk of catastrophic inundation. In other areas, people were simply not aware that they had purchased property in areas that were at risk during the rare, but inevitable, major flood events.

Gillard announced that no additional federal funds beyond initial, means-tested emergency payments will be made available to ordinary people who have lost virtually everything they own. They have been condemned to protracted legal disputes with insurance companies over whether they were covered or not; or thrown into total

reliance on the flood charity fund administrated by the Queensland state government. Despite an outpouring of donations from across Australia, the total funds held by the charity stood at just \$168 million as of January 25.

The hostility of the financial elite toward any meaningful measures being taken to assist the uninsured was spelt out by the head of the Insurance Council of Australia, Rob Whelan, in today's *Australian Financial Review*.

“We are concerned about moral hazard,” Whelan stated. “We are concerned that people will be less likely to take out private insurance because they can see the government will step in and pay for the damage, so there is no need to take out insurance”.

Whelan's logic—that thousands of families and business owners who have lost their property and assets should be left to fend for themselves so as to compel people to pay insurance companies' inflated premiums—is embodied in Gillard's relief plan.

In stark contrast, Gillard announced that \$3.9 billion will be spent in Queensland on the “restoration of public assets,” such as the ports, roads and railways that the major mining companies use to export vast amounts of coal to the world market. A further \$1 billion will be spent repairing infrastructure in other states.

There was nothing surprising about the class orientation of Gillard's policies. They were drawn up in consultation with a “floods taskforce” that includes the heads of key Australian business councils and leading corporate executives. The Labor Party and big business do not see any “moral hazard” in the government handing over billions of dollars in bail-outs, guarantees and

reconstruction aid for the benefit of corporations and the wealthy.

Every cent of the federal government spending to assist big business will be gouged out of taxpayers or through the reallocation or outright cutting of existing budget programs. The major banks, which made profits of some \$37 billion, and the mining industry, which registered profits last year of over \$66 billion, will pay nothing.

A flood levy of an additional 0.5 percent tax has been imposed on incomes between \$50,001 and \$100,000. Incomes over \$100,001 will be taxed an additional 1 percent. The levy will come into effect on July 1 and last for 12 months.

Gillard sought to portray the levy as a progressive measure to make higher income earners pay the most toward flood relief. In fact, the levy will generate only \$1.8 billion in extra revenue. It is a pittance compared with the income tax cuts implemented over the five years from 2003 to 2008 by both conservative and Labor governments, which disproportionately benefited the very highest-paid and cost the federal government revenue totalling \$83.4 billion.

The greatest burden of the levy will fall on the millions of workers who earn between \$50,000 and \$80,000 and whose lives are already dominated by the rising costs for housing, utilities, health care, education and child care. They will take a hit of \$350 to \$650 to their annual discretionary income.

The other \$3.8 billion to be spent by the Gillard government will come from deferring six federally-funded road projects in Queensland, along with similar projects in other states; the scrapping of a number of “green” policies, such as subsidies for low emission cars and solar panel installations; and cutbacks to certain health, housing and education schemes.

While making the obligatory references to the loss of life and property over the past several months, Gillard signalled that the key priority of her government was protecting corporate profits. Labor, she insisted, would ensure that flood reconstruction did not have any detrimental impact on business in the form of inflation and upward pressure on wages.

Labor would guarantee this, she declared, by taking “demand out of the economy” through budget cuts that ensured it met its election promise of putting the federal government budget back into surplus by 2012-2013.

When questioned how the government would still generate a budget surplus if there were additional reconstruction costs on top of the \$5.6 billion already announced, Gillard bluntly declared that the “money will come from cuts from somewhere else”.

Gillard also stressed, in a clear signal to big business of her commitment to their interests, that she would not allow the floods to interfere with her government’s “reform” agenda to cut the costs of health, welfare and education. Labor will also push ahead with the introduction of a price on carbon that will add to fuel and energy costs and make the working class pay for any corporate reductions in carbon emissions.

One of most striking aspects of Gillard’s entire 45-minute speech was that she made no mention of the underlying causes of the flood crisis. Massive urban development since major floods in 1975 has been carried entirely from short-term profit considerations and without regard for the consequences of the next major inundation. Reports warning of serious limitations with Brisbane’s Wivenhoe Dam were ignored; levies and other flood protections were not properly maintained; and emergency services were systematically run down.

The Labor government, the servant of the very corporate interests that profited from this criminal neglect, announced no measures to change the situation, ensuring that the next major flood event will have no less catastrophic consequences.

Click here for the full coverage of the Australian flood crisis.



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