

Greens back Australian government's cost-cutting floods package

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Following weeks of backroom negotiations, the Australian government's \$5.6 billion floods reconstruction package passed the lower house—the House of Representatives—by just one vote yesterday, following deals struck with the Greens and Independent MP Andrew Wilkie.

By reaching an agreement with the government to back the package, the Greens underscored their determination to bolster the fragile government of Prime Minister Julia Gillard and assist it to deliver further sweeping cuts in the May budget.

Greens leader Senator Bob Brown sought to justify support for the measures by claiming that they were urgently needed to assist flood victims. “This is the Greens in action. This is the Greens responsibly ensuring that the victims of the flood catastrophes across this country get assistance and get it quickly,” he stated.

In reality, almost all the fund, nearly \$5 billion, is dedicated to rebuilding economic infrastructure—such as freight railways, highways and port facilities—to service the requirements of the mining companies and other sections of big business. Only \$720 million is for emergency assistance for half-a-million flood victims, including small business people and farmers—an average of just \$1,440 each. The 60 percent of residents who were uninsured or denied flood coverage will receive only pittance, and local councils have been left to pay for much of the repairs to social infrastructure.

More than a month after the floods that devastated residents of Brisbane and other towns and regions of the state of Queensland, there remains no certainty that the package, mostly financed by spending cuts, will pass the Senate. The Liberal-National Party opposition is demanding that the package's proposed \$1.8 income tax levy be dropped in favour of deeper spending cuts.

To win the lower house numbers, the minority Labor government also had to rely on the votes of Western Australian National Party representative Tony Crook and right-wing rural Independent Bob Katter. Two other Independents, Tony Windsor and Rob Oakeshott, on whose support Labor relied to form government last year, declined to back the measures, expressing reservations about the levy.

Intensive talks are still continuing with another Independent, Senator Nick Xenophon, to secure his vote, which is needed to obtain a majority in the Senate next week. Xenophon has demanded that all states and territories purchase multi-billion dollar natural disaster insurance as a precondition for federal relief funds.

Urged on by the corporate media, the government seized upon the floods—which claimed at least 35 lives, and inundated and destroyed the homes of thousands of people—as an opportunity to start delivering the social spending cutbacks demanded by the financial markets and the business elite in order to return the budget to surplus by 2013.

When she announced the package on January 27, Gillard emphasised that two-thirds of the funds—\$3.8 billion—would come from cuts to education, housing, environmental and local infrastructure programs. She also vowed to make greater savings if the package proved inadequate to meet reconstruction costs. In fact, the fund covers but a fraction of the flood damage, estimated at up to \$20 billion, and provides nothing for the rebuilding costs of Cyclone Yasi, which hit northern Queensland just weeks after the floods.

Working people will also bear the burden of the package via the levy—a large proportion of which will be paid by workers earning between \$50,000 and \$80,000. Business is totally exempt from the levy. The mining industry, which made profits in excess of \$67

billion last year, will pay nothing toward the repair bill. Nor will the major banks, which made some \$37 billion, mostly from mortgage lending and other parasitic investments, including in flood-prone real estate developments.

In return for their votes, the Greens and Wilkie obtained insignificant modifications to the package, reducing the spending cuts by just \$150 million, the cost of which will be recovered by alternative savings in the May budget. “This will be offset in the upcoming Federal Budget,” Gillard said in a media release welcoming the outcome.

The government, as part of its deal with the Greens, agreed to restore \$100 million of the \$250 million trimmed from a Solar Flagships program, which subsidises large solar energy projects. The government also confirmed the deferral of \$264 million from a National Rental Affordability Scheme, but promised to recommit the money from 2014-15, beyond the budget forward estimates period. As a result, the scheme will remain capped at just 35,000 homes for the next four years.

Significantly, both these programs assist sections of business, notably those in the alternative energy industry, that form a key part of the constituency of the Greens. “Today’s agreement gives the Australian solar thermal and PV industries a real chance to flourish,” Greens deputy leader Christine Milne said. “The Greens and the solar industry have long argued for well-designed programs such as feed-in tariffs and loan guarantees to really drive the construction of base-load solar power plants.”

Greens housing spokesperson Senator Scott Ludlam said the agreement had saved the rental affordability scheme, which offers grants or tax breaks to community and business groups to build and rent homes for low-income people. Ludlam described the program as “a billion dollar project providing 50,000 incentive packages for the construction of more affordable rental homes, for the first time encouraging large investors to work with community housing providers”.

Wilkie said the government had agreed to restore \$50 million of the \$88 million that was to be saved by axing the Australian Learning and Teaching Council, which allocates awards and grants to improve teaching, although the programs would be taken over by the

federal education department from 2012. He stated that if he had not agreed to the flood levy, the government had intended to make \$1.8 billion of additional cuts to the budget.

As a result of the deals done by the Greens and Wilkie, \$3.65 billion worth of spending cuts are set to proceed. These include delaying local infrastructure projects worth \$1 billion, axing another \$500 million for such projects and scrapping \$299 million in capital development funding for universities. Among the other casualties is a \$429 million “cleaner car rebate” program to provide grants of \$2,000 to motorists to scrap their pre-1995 passenger vehicles, household solar energy rebate schemes worth \$245 million and a \$96 million program to subsidise the conversion of cars to liquefied petroleum gas.

The *Australian Financial Review* and the Murdoch-owned *Australian* last month welcomed these “courageous” cuts as a sign of commitment to impose deeper cuts to social spending in the May budget. By backing the flood package, the Greens have made clear their readiness to help implement those attacks as well.



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