

Bank eyes waiving of mortgages

By **ERIC JOHNSTON**,
KIRSTY NEEDHAM
and **CLANCY YEATES**

ONE of Australia's biggest banks has raised the prospect that people who have lost everything from flooding in Queensland and Victoria may not need to repay their home loans.

Senior Westpac executives also said yesterday that the bank is considering whether flood insurance should be mandatory for home owners taking out a mortgage.

The comments came as the first government estimate of the economic impact of the floods was released, finding farmers and miners have lost at least \$3 billion from the nation's worst natural disaster.

With most Queensland mines still swamped by water, coal exports will take a \$2.5 billion hit this financial quarter alone, while growers of vegetables, cotton and grain face losing \$500 million.

The special report on the floods from the Australian Bureau of Agricultural and Resource Economics and Sciences said farmers' full costs would be "much more" as they were forced to replace machinery and other assets.

Commenting on the floods at a Senate inquiry into banking competition yesterday, Westpac chief executive Gail Kelly said while the bank had frozen mortgage repayments for up to three months for flood-affected home owners, it was prepared to waive mortgages in extreme cases.

"We had a number of situations in the Victorian bushfires where we went quite a bit further than that [freezing payments]," Mrs Kelly said. "It really can depend on the circumstance of the individual."

A second Westpac executive, Peter Hanlon, told the inquiry that top-level talks at the bank had focused on whether an additional layer of insurance should be taken out on new home loans.

Prime Minister Julia Gillard has steeled the nation for tough government spending cuts, and potentially a levy to fund rebuilding that could hit \$30 billion. But with the damages bill not yet fully tallied, the Coalition yesterday attacked the federal government's plan to "tax" the community to pay for it.

Independent MPs Tony Windsor and Bob Katter have indicated support for a levy for natural disaster funding, but the Greens' Adam Bandt said he wanted to see a proposal before deciding whether to back it.

South Australian senator Nick Xenophon said "any flood levy would have to be reasonable, targeted and well spent, otherwise it could turn into a financial disaster".

Should a levy proceed, it will contribute only a small portion of the federal government's rebuilding costs.

In 1996, the Howard government raised the Medicare levy from 1.5 per cent to 1.7 per cent for a year to pay for the \$500 million gun buyback after the Port Arthur massacre. This added \$70, or \$1.40 a week, to an average tax bill.

After Ansett's collapse in 2001, a \$10 levy was added to domestic air tickets, raising \$286 million in two years.

The federal government has paid out \$225 million in emergency grants to 184,000 stranded householders in the past fortnight alone.

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