

Island resorts evacuated as cyclone bears down

Lisa Allen

A thousand guests and staff have been evacuated from Queensland's Hamilton Island, villas have been boarded up, and a marina-worth of multimillion-dollar yachts lashed together as the island's owners, the billionaire Oatley family, prepare for the worst.

Further north, tour operators expect 12,000 visitors from Asia to descend on Cairns from today for Chinese New Year at the same time as cyclone Yasi is expected to cross the coast.

Yasi is expected to be bigger than

cyclone Larry which devastated much of north Queensland's tourism towns such as Mission Beach in 2006.

Yesterday, Tourism Queensland chief executive Anthony Hayes said the arrival of the tourists presented his "biggest" challenge. "We must make sure they are safe and they have an experience that is positive," he said.

Whether Yasi makes land early tomorrow or not, it will cause financial damage to the tourism industry.

"There's no cyclone insurance, we will have to pay for any damage," Sandy Oatley, chairman of Hamilton Island Enterprises which controls

Hamilton Island, said yesterday. "We are geared up for it, we take the good with the bad [but] it's all a loss of revenue; guests have left, we have stopped taking bookings."

Mr Oatley said the privately owned company had paid to charter several Virgin Blue and Jetstar flights to evacuate guests and staff from the island, and was also bussing staff to Brisbane.

He was not able to give an estimate of how much had been spent so far preparing the island for the cyclone.

Despite warnings, up to 1000 staff, residents and guests were still on the island but would be asked to

move to the cyclone centre at the Reef View Hotel if Yasi hits.

"We are taking every precaution that is feasible," said Bob Oatley, who splashed out close to \$200 million to buy the island in 2003.

Daydream, Magnetic, Bedarra, Hayman and Dunk islands have also been evacuated. About 300 staff and guests were evacuated from Club Med on Lindeman Island yesterday, said Quentin Briard, Club Med's general manager. "All guests and staff will be accommodated until they are repatriated," he said in a statement.

Meanwhile, Mr Hayes said it was impossible to work out how much the

cyclone would cost the state's tourism sector.

"We are still trying to collate the economic impact of the floods. [Yasi] might be a brief frustration or it might be longer term depending on how long it hangs around," Mr Hayes said. "It's yet another challenge for an industry that has been doing it pretty tough."

"The greatest frustration is that the Gold Coast remains untouched by anything that has happened in the last month," he said. "The Gold Coast, Sunshine Coast and Fraser Island are still doing fine. It's a big place, Queensland."

Bligh warns as Yasi intensifies

Mark Ludlow

Thousands of north Queensland residents were being evacuated from their homes last night in preparation for Cyclone Yasi, which is due to cross the state's north coast tonight or early tomorrow morning.

With wind gusts of more than 250 kilometres per hour, the category four cyclone is expected to be more powerful than Cyclone Larry, which caused more than \$1.5 billion damage to the region in 2006.

The impending natural disaster has already forced the closure of island resorts at the Great Barrier Reef, the evacuation of 350 patients from two hospitals in Cairns and closure of three of the state's four coal ports.

Premier Anna Bligh said north Queensland was facing a "potentially very deadly event" with anywhere north of Townsville expected to be a no-go zone from this morning.

"People in north and far north Queensland are used to cyclones but many of them will never have seen anything like this," she said.

"This is a monster storm and it is life threatening."

There was mandatory evacuation of residents in low-lying or coastal areas around Cairns yesterday, but

there could be more forced evacuations today. All 300 schools in north Queensland will be closed for the rest of the week.

Qantas, Virgin Blue and Jetstar put on extra flights yesterday to help evacuate tourists and residents.

Townsville airport was expected to be closed late last night, and Cairns airport to be shut this morning.

Cyclone Yasi intensified yesterday and is expected to cross the coast between Cairns and Innisfail, 1700 km north of Brisbane, in the early hours of tomorrow morning. The storm is tipped to push the tide up about 2.5 metres in central Cairns. Although Cairns is expected to be the epicentre of the storm, gale force winds and heavy rain will affect 1000 kilometres of coastline from Cooktown to Mackay.

Ms Bligh warned that the eye of the storm was so big, about 100 kilometres wide, that locals may experience a "period of calm" lasting more than an hour. "It's very important that people understand that calm is not an opportunity to go walking outside and to have a look around," she said.

"This is such a big system that the eye could last more than an hour and at the end of that period the next thing that will be



The heat goes on . . . and on

Sydney commuters cool down under a mist-generating fan system at Town Hall Station yesterday. Temperatures above 40 degrees hit parts of NSW and Victoria, causing power outages and bushfires. The big bake is set to continue until Monday, when a southerly change is expected.

Photo: KATE GERAGHTY

felt is the strongest possible winds."

The cyclone could cause substantial damage to sugar cane and banana crops as well as further disruptions to coal exports.

Abbot Point coal terminal, near Bowen, and Dalrymple Bay and Hay Point coal ports, near Mackay, are expected to be closed until at least this weekend. About 50 bulk carriers

anchored off Dalrymple Bay will travel further out to sea to avoid the worst of the cyclone.

Gladstone Ports Corporation chief executive Leo Zussino said the port was still operational and could receive coal ships if necessary.

"It's basically waiting and seeing how events unfold," he said.

"But we are in a position to

export whatever comes our way."

The economic cost of the cyclone, on top of the \$5 billion damage bill from last month's floods, is expected to have a substantial impact on the bottom lines of both the state government and the tourism and coal industries.

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Sugar crop threatened, page 48 ■

Budget's structural deficit needs addressing

Analysis

John Kehoe

The Gillard government's decision to impose a \$1.8 billion temporary flood levy instead of digging deeper for savings in the budget raises serious questions about the medium-term future of the budget.

At face value, the budget is on track to return to surplus in 2012-13. But according to Treasury, the budget will still be in a structural deficit of more than \$20 billion or 2 per cent of gross domestic product at this time.

The structural balance, which strips out windfall gains from expected temporary revenue delivered by the China-induced terms of trade boom, will return to surplus in 2019, Treasury estimates. If commodity prices fall sharply, either due to a China slowdown or global commodity supply response, the Australian budget could be in a similar position to that of the struggling United Kingdom, one budget analyst warns.

While that is not the most likely scenario foreseen by Treasury or the Reserve Bank of Australia, budget

FLOOD LEVY HARDLY A BONUS

The \$1.8 billion flood levy will have virtually no impact on the government's ability to deliver a budget surplus in 2012-13.

Treasury expects to collect almost 90 per cent of the revenue from the levy on middle and high-income earners in 2011-12, when the budget is expected to post a deficit of \$12.3 billion. Employers will be required to withhold the levy when they take out income tax from their employees' fortnightly pay packets throughout 2011-12. It will then be submitted to the tax office monthly or quarterly.

Only \$235 million is expected to roll into Treasury coffers in 2012-13,

the deadline the Gillard government has set to post its first surplus.

Political debate about the levy (0.5 per cent of taxable income above \$50,000 and 1 per cent of taxable income above \$100,000) has focused on the need for Labor to post a budget surplus.

Treasurer Wayne Swan has said the \$5.6 billion flood "package", which includes \$2.8 billion in cuts to industry assistance, green programs and affordable housing, and delaying \$1 billion of infrastructure projects is needed to deliver the surplus. But he has been careful not to say the levy itself was needed to get a surplus.

John Kehoe

age for deeper cuts to put the budget back on a sustainable footing?

Stephen Bartos, a former deputy secretary of the federal Finance department, says regardless of any levy, the government should look to savings to boost "fiscal resilience".

"There's ample room to cut the size of government," he says.

The Prime Minister has pointed out the levy will be useful in helping restrain demand in an economy that is going to be running at close to full capacity in the next couple of years.

Indeed, Access Economics calculates there is \$776 billion of investment projects under way or in planning, mainly in the resources sector. This will suck up scarce labour, machinery and materials.

Macroeconomics director Stephen Anthony says the resources boom, combined with the floods rebuild, means now "is the perfect time in the cycle to be finding savings".

Yet Labor will persist with its \$16 billion school building program, which will compete for the resources needed to rebuild Queensland.

"If they can't find those savings now, they will be forced to at the wrong time of the cycle [when the boom ends]," Anthony says.

"If things go wrong, our public finances will be in the United Kingdom or Ireland territory."

While the Coalition blames the Rudd-Gillard government's so-called "reckless spending" for the budget deficit, Treasury figures show the

spending profligacy set in during the final years of the Howard government. The structural balance of the budget began to decline around 2004-05 when the commodity boom began, with windfall gains from company tax being handed back to individuals through personal income tax cuts and handouts to the middle class. About 80 per cent of families with children receive a family tax benefit.

At least one senior Coalition figure has privately admitted the problem began on their watch. Another, shadow finance minister Andrew Robb, spoke on Sunday about the structural deficit problem presided over by the Labor government.

The Finance Department's incoming government brief warns "further structural improvements" will be needed to reduce existing public debt and to deal with the ageing population. Unless an axe is taken to wasteful programs delivering poor value for taxpayers' money, the structural deficit will remain, although gradually decline, for almost another decade.

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