

The Reith telecard scandal: another ultimatum to the Australian government

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Not for the first time in Australian politics, the media has seized upon a relatively minor incident involving a government minister and transformed it into a major scandal.

The current predicament of the Howard government's Workplace Relations Minister, Peter Reith, follows a certain pattern. A feeding frenzy is manufactured over some event that, all else being equal, would generally be ignored, or at the very least, dealt with quietly behind the scenes. With great moral fervor, details are dredged up and exhaustive investigations conducted. Day after day the event is headline news. Public opinion is carefully moulded and manipulated and the whole affair becomes a lever to effect a significant political shift.

In this case while Reith is the immediate target, the goal is Prime Minister John Howard. Significant layers of the ruling class, including media baron Rupert Murdoch, have become dissatisfied with the government's performance and want to see definite changes before the next election, due in 2001. These may or may not include the removal of Howard from his position, depending on how he responds. The demise of Reith, his most trusted parliamentary ally, would severely weaken the Prime Minister and strengthen the hand of leadership aspirant, Treasurer Peter Costello, the minister most closely identified with the interests of global finance capital.

As Murdoch's tabloid the *Daily Telegraph* pointedly remarked this week: "Mr Reith has been a loyal and valuable member of the executive for Mr Howard, and an important agent for the PM in the otherwise hostile Liberal Party terrain of Victoria." Costello is a leading light in the Victorian Liberal establishment.

The scandal has to do with the fact that Reith flouted the rules concerning his government-paid telecard (a telephone call card) six years ago, when he gave a confidential PIN number to his eldest son. The son racked up around \$1,000 worth of personal calls, but denies that he passed the number on. In one way or another, the PIN became known to a friend, who used the card as well. Somehow the friend's landlord also got hold of it, and subsequently, over a period of two years, the total telephone bill blew out to around \$50,000.

The issue has become: who is responsible and how did the PIN become so widely known? Until two weeks ago, the affair had been confined to various government departments and a low-key police inquiry. But then a high level source leaked the information to a rookie journalist on the *Canberra Times*, and things took off from there.

Matters were handed over to the Solicitor General, who decided to favour Reith's version of events and relieve him of any responsibility for the debt. Under mounting pressure, Reith decided, after some procrastination, to pay the full amount. But that didn't satisfy his

detractors. With the hue and cry intensifying, the Solicitor-General opted to review his ruling and the police, who had previously chosen not to press charges, re-opened the case. The opposition Labor Party is demanding that the minister stand down, and the press is clamouring for his scalp.

Nevertheless, the Prime Minister is refusing at this stage to oblige. He has completed his own investigation, concluding not only that the Workplace Relations Minister will stay at his post, but that "he's been one of the star ministers of my government".

It has not proven difficult, however, to whip up public sentiment against Reith. On top of the general disgust felt by ordinary people towards politicians and their privileges, he is arguably the most unpopular minister in the government. Responsible for what is euphemistically known as "labor market reform," Reith has repeatedly accused workers of "rotting the system," i.e. of being unproductive, lazy and greedy. In 1998, he masterminded the government-sponsored assault on waterfront workers, when dogs and armed hooded thugs were brought onto the wharves in a clumsy and ultimately bungled attempt to smash the union.

Understandably, many workers, incensed at the perceived double standards, have responded enthusiastically to the media campaign, demanding "justice" and an end to "Reith's rorts".

According to Peter Maher, managing director of the media monitoring service Rehome, his organisation monitored a record number of calls to radio stations about the affair in the week beginning October 10, when it first became public—98 percent anti-Reith.

Having established a firm base, the campaign has been systematically ratcheted up. On October 20, chief political reporter on the *Sydney Morning Herald*, Michelle Grattan, wrote: "The Howard government is being hugely damaged by the Reith card scandal and there is no easy way for it to cut it off. Every time it appears to be subsiding, something else happens. There is no way of cutting the government's losses, short of sacking Reith which Howard does not want to do..."

Murdoch's Sydney tabloid the *Daily Telegraph* carried an editorial on October 24 headlined: "Message from voters now clear." It concluded: "Our newpoll survey today should put the current political debate beyond doubt: Peter Reith must go."

Murdoch's national daily, the *Australian*, remarked that Reith had become an "object of ridicule" and "a symbol of class division".

"Time is catching up not only with Reith but also with the Howard government generally... Every day spent on the telecard affair is a day lost to Howard and the task of rebuilding his government's stocks," it warned.

Whatever the outcome of the telecard affair, one can safely predict

that it constitutes the final warning shot across Howard's bow.

The last time such a scandal erupted was in late 1997, when the "travel rorts" crisis, involving unsubstantiated claims for travel expenses, claimed the political lives of three government ministers. It took place just months after Howard's 1997 Budget failed to deliver the economic measures demanded by the banks and major corporations. Lambasted for "stalling" on its reform agenda, lacking the "zeal" to consolidate the savage spending cuts it delivered in its first Budget in 1996, the government was smartly whipped into line.

The outcome of the "travel rorts" affair was a revamped ministry with a new agenda to take into the election campaign of 1998. Plans for a consumption tax, the GST, which had previously been shelved, were revitalised, "work-for-the-dole" broadened, spending cuts announced to nursing homes and aged care and further action taken on the privatisation of public health.

Most importantly, the government telegraphed its intention to take "labour market reform" to the waterfront, with Reith playing the key role.

The Howard government's confrontation with the wharfies was supposed to be the watershed which, like US President Reagan's attack on PATCO workers in the United States in 1981 and British Prime Minister Thatcher's conflict with the British miners in the mid-1980s, would usher in a fundamental transformation in industrial relations. With a powerful section of organised labour defeated, employers would have free rein to tear up conditions, slash wages and drive up productivity.

But Reith's dubious alliances and gangster, backroom methods led to a fiasco. Having breached his own industrial relations legislation by conspiring to break the union, Reith faced the prospect of being charged. The High Court was forced to intervene to save Reith's—and the government's—skin by handing matters over to the Maritime Union of Australia (MUA), the union Reith had tried to destroy. While the MUA dutifully implemented cuts to jobs and conditions, the momentum for national labour market reform was severely compromised.

Despite the implementation of the GST, in the two and a half years since the waterfront conflict the corporate opponents of the Howard government have become increasingly vocal.

Scores of leading investors and CEOs, from Microsoft chief Bill Gates down, visiting the country during the Sydney Olympics, attacked what they considered to be "unattractive" conditions for investment, characterising Australia as an "old economy," unprepared for the demands of new technology.

And the markets have voted with their feet. In the aftermath of the Games, the Australian dollar has suffered a free-fall, plunging to record lows against the US dollar and most other currencies. At the same time, investment capital is taking flight. According to the United Nations Conference on Trade and Development, inward investment fell by 14 percent in 1999, the lowest for four years and lower than the annual average for the 10 years to 1995.

Under particular attack has been the government's failure to fully privatise Telstra, the telecommunications giant, due, in the main, to pressures from the government's coalition partner, the National Party, which faces losing vital seats in rural and regional areas if the privatisation goes ahead; Howard's data casting policy and media ownership rules, which pander to Australia's richest man, Kerry Packer, leaving Murdoch and other international players out in the cold; its restrictive banking policy, and, most importantly, the country's uncompetitive industrial relations.

Australia's "unfair dismissal" laws, which Reith has not succeeded in having fully repealed, are perceived to be especially damaging.

Just how significant the labour relations issue has become to international investors was highlighted recently by Alan Greenspan, Chairman of the US Federal Reserve Board, who pointed out that the key to securing benefits from new technology is the cutting of labor costs.

In a speech in July, Greenspan drew out that Europe and Japan remained uncompetitive compared to the United States, because of their "relatively inflexible and hence more costly labor markets".

He explained that in the US "labor displacement is more readily countenanced both by law and by culture" and the "costs of dismissing workers are lower". The remarks are even more pertinent when applied to Australia.

Both Howard and Reith, well aware of what is at stake, have been at pains to demonstrate that they can deliver the goods.

Last Friday, speaking at a Liberal Party fundraiser to an audience of 650 politicians and "key business people," Howard declared, according to ABC radio, that the government was in for a "tough fight" in the next elections, and that "the party will deliver new reforms, which some may find controversial".

On Monday, Reith launched two new discussion papers, aimed at opening the way for a fundamental change to the industrial relations system. Entitled "Breaking the Gridlock" they seek to address the concerns of the corporate world by shifting the legal basis of industrial relations from the arbitration system to the corporations power of the Constitution, and from a state-based to a single national system.

And this week the government announced it would finalise its new welfare policy in December, foreshadowing a raft of savage measures.

For his part, Costello has carefully distanced himself from the row, spending the past week talking up the Australian economy to bankers and investment moguls in New York. Nevertheless, emerging from a series of high-level consultations, he pointedly issued warnings that, despite a huge budget surplus, there would be no "government handouts" in the leadup to next year's election.

While the media campaign against Reith has managed to strike a definite chord with large sections of the population it has, in reality, nothing to do with concerns about fairness and equity.

Like the 1997 travel rorts affair, the scandal has become a vehicle for delivering an ultimatum to the government: keep pace with the changing requirements of global capital or face the inevitable consequences. Whatever the immediate fate of the Workplace Relations Minister, the result will be a further assault on the working class, in the form of deeper cuts to wages and living standards, and a renewed offensive against working conditions.



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