

# Australia: NSW Labor embroiled in corruption scandal

**Richard Phillips****7 March 2008**

Less than two weeks after media commentators—“left” and right—were hailing the Rudd Labor government’s “apology” to the Aboriginal stolen generations, a property scandal involving cash bribes and other sordid inducements to Labor Party officials in one of Australia’s largest working class cities has exposed the real character of the organisation and the layers that inhabit it.

The grubby affair is being investigated by the Independent Commission Against Corruption (ICAC) and involves property developers and officials from the Labor-controlled Wollongong council on the New South Wales south coast.

On March 2, after a fortnight of hearings, ICAC commissioner Jerrold Cripps declared that “systemic corruption” dominated the council and called on the state Labor government to remove the councillors. While the commissioner’s final report is not expected until next month, Premier Morris Iemma’s government immediately sacked the council and appointed unelected administrators to run the city for at least four years.

Although ICAC probes into local councils and property developers in NSW are hardly new—at least four other councils have been investigated or sacked over corruption allegations since 2004—the Wollongong scandal has highlighted some of Labor’s fund-raising methods and its dependence on corporate donations.

Since 1998 the Labor Party in NSW has received almost \$13.2 million from developers, the largest source of the party’s private campaign finance, with most coming in just before the 2003 and 2007 state elections. Labor also receives large amounts from hotels and clubs—\$4 million over the past seven years. NSW hoteliers chipped in almost half a million dollars at a Labor fund-raiser on February 16, 2007, just prior to the state election.

Labor’s funds once came from its affiliated unions and the money-raising activities of party members. In cities like Wollongong, a former steel manufacturing and mining centre, it could command the support of thousands of workers and their families. Today, the organisation is an empty bureaucratic apparatus kept afloat by business funds and official electoral funding, and deeply despised by broad layers of ordinary people.

The ICAC investigation began more than 18 months ago. Computer hard drives and other items were seized in December 2006 raids on Wollongong council offices. The public hearings, which began only last month, quickly revealed incestuous relations between council officials and local property developers.

Beth Morgan, a former town planner with the council, admitted on February 18 that she had assessed development applications to the council worth a total of \$135 million from three property developers—Frank Vellar, Glen Tabak and Michael Kollaras—while she was having affairs with the men. Other council officers were accused of providing developers with tips on planned land re-zoning and other inside information in exchange for donations to the ALP.

Vellar, for example, told the inquiry he met Wollongong’s deputy mayor Kiril Jonovski and councillors Frank Gigliotti and Zeki Esan to discuss his proposed redevelopment of the North Beach Bathers Pavilion in Wollongong and a “political donation” to the ALP. While the councillors denied Vellar’s allegations, phone taps of conversations between Vellar and his wife after the meeting indicated that a \$20,000 donation had been discussed with the councillors.

Tabak gave donations to the ALP through Police Minister David Campbell, a former Wollongong mayor, Housing Minister Matt Brown and parliamentary secretary for health Noreen Hay. Vellar also gave Hay free office space.

Wollongong general manager Rod Oxley is alleged to have overridden staff decisions on development applications. Former council planning director David Broyd told the inquiry he had been forced to resign after he rejected Vellar’s \$100 million Quattro building development for central Wollongong because it exceeded local planning laws.

Joe Scimone replaced Broyd in July 2005 and one month later the Quattro project was approved. Scimone, who has close connections with senior Labor figures, including Ports Minister Joe Tripodi, is alleged to have overruled his staff to award Tabak a \$200,000 deduction from his application fees for another major project.

The corruption was so endemic that two criminals—Ray Younan and Gerald Carroll—were able to pose as crooked ICAC officers and blackmail several council officers, claiming that

they could protect them from the ICAC. The pair extracted an estimated \$500,000 from council officials and one of the property developers.

Last week the media began raising questions about Planning Minister Frank Sartor. The *Sydney Morning Herald* revealed on February 26 that Sartor hosted a Labor fund-raising dinner in 2006 attended by more than 30 development companies. The function raked in more than \$500,000 just before the government was about to decide on development applications by some in attendance.

The newspaper also reported that last year Sartor overruled the recommendations of his own planning committee and rezoned farmland for housing in Queanbeyan, near Canberra. The property, which the Village Building Company had purchased for \$4 million, was under the flight path of the Canberra airport. The planning committee said the land was not suitable for housing. Following Sartor's intervention, the new housing project is now worth more than \$200 million. Village Building has contributed more than \$154,000 to the Labor Party since 2002.

On February 27, Sartor was accused of intervening last year to ensure that a controversial \$51.7 million residential development in the inner-western Sydney suburb of Burwood gained approval. A few weeks earlier, the developer, Sarkis Nassif, gave \$15,000 to the Labor Party. Nassif and his companies donated \$27,000 to the ALP a month before last year's state election and had given more than \$136,000 since 2002. Sartor's decision came while Nassif's company was being investigated by the ICAC over how the developer had obtained approval for a 16-storey apartment block in nearby Auburn without proper fire safety facilities.

Premier Iemma at first attempted to brazen out the Wollongong scandal, declaring in the first week of the ICAC hearings that any minister or Labor MP found to have acted improperly would be disciplined. But with growing popular opposition to Labor's plans to privatise the state-owned power industry and widespread hostility over the run-down of public housing, hospitals, transport and other basic facilities, Iemma was forced to announce new "anti-corruption" laws on February 28.

Prime Minister Kevin Rudd attempted to distance the federal Labor government from the scandal last week by announcing that he was considering laws requiring disclosure of donations to political parties from \$1,000 upwards.

Iemma declared that his measures were the "toughest in Australia" and would stop the backroom pay-offs. These claims are a fraud. The planned legislation will simply centralise the process, ensuring that all donations from developers and other corporations must pass through Labor's state office, rather than local councillors and Labor MPs.

Not surprisingly, property developers have seized on the ICAC probe to insist that assessment of major property decisions be taken away from local governments. The Property

Council and the Urban Taskforce, a developer lobby group headed by Aaron Gadiel, last week demanded that all large development applications be decided by "independent panels" with applications approved or rejected within 90 days.

Under Part 3A of the Environmental Planning and Assessment Amendment Act introduced in 2006, the state government can assume total control of any development it deems to be "state significant". Planning Minister Sartor used a poll commissioned by the Property Council, which claimed "community support" for the new laws, to justify the legislation.

Iemma may be forced to re-shuffle his cabinet as demanded by the media, but his government is using the Wollongong scandal to justify and exercise the wide powers it has to remove local councils and appoint hand-picked administrators. While the government claims that the laws exist to stamp out council corruption and inefficiency, their real purpose is to ride roughshod over local planning laws and mounting opposition to "development" projects that axe public facilities and only benefit building companies and property developers.

Labor's agenda can be seen in the recent establishment of the Redfern-Waterloo Authority to impose a redevelopment plan on an inner-city Sydney area that has long been home to working families, public housing tenants and Aboriginal people. Sartor is overseeing the project in which public housing, the "Block" area of Aboriginal housing and former rail workshops will be demolished and land sold off to private developers.

The current NSW property scandal and associated sleaze is no aberration. It is a particularly gross expression of processes underway across the country where Labor governments—local, state and federal—have become vehicles for providing the corporate elite with the opportunity to make massive profits while public housing and other vitally needed facilities are eliminated or run down to the point of collapse. The Wollongong affair constitutes yet another reminder that the Labor Party, and its politicians and apparatchiks, inhabit a world very different from ordinary working people and their daily worsening problems and difficulties.



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