

Australia: Car dealer “scandal” engulfs parliament

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The extraordinary furor that has emerged over allegations that Prime Minister Kevin Rudd and Treasurer Wayne Swan improperly acted on behalf of a Queensland car dealer underscores the crisis of both major parliamentary parties. In the absence of substantive policy differences between Labor and Liberal—and any serious debate on the deepening economic and social crisis—the leaders of the government and opposition are engaging in a series of back and forth corruption and dishonesty allegations, which has triggered a federal police investigation and may result in the forced resignation of Rudd, Swan, or opposition leader Malcolm Turnbull.

The origin of the murky affair lies in the government’s creation last December of a \$2 billion public finance scheme, called OzCar, designed to assist car dealers unable to access credit. Ozcar was set up because of the global financial crisis and the withdrawal from the market of private financiers GE Money and GMAC. It is one of a number of Rudd government programs aimed at assisting targeted sections of business. Amid the greatest breakdown of the capitalist system since the 1930s depression, the Labor Party is placing enormous sums of money at the disposal of big business, and preparing massive social spending cuts to pay for it.

The dilemma for the crisis-ridden Liberal Party is how to confront the Labor government, while at the same time not opposing those policies that enjoy the support of the corporate elite. Last week a frustrated Turnbull addressed 30 CEOs at a Business Council of Australia function and declared: “It’s very important for businesses not to snuggle up too closely to government, and there is a tendency to do that in Australia, particularly with Labor governments.” With the opposition struggling to challenge Rudd from the right on economic policy, Turnbull and his colleagues have instead focussed on pursuing alleged improprieties in the management of schemes like OzCar.

Several weeks ago, Liberal MPs raised questions in parliament about the prime minister’s acceptance of a free ute (utility vehicle) from his friend and neighbour, Queensland car dealer John Grant, which Rudd used as a “mobile office” during the 2007 election campaign in his Brisbane electorate.

Rudd denied suggestions that this relationship created a conflict

of interest in relation to OzCar, and insisted that the free ute had been declared in accordance with parliamentary rules. He told parliament on June 4 that neither he nor his office had ever spoken with Grant about the OzCar scheme or made representations on his behalf.

Rudd’s claim was thrown into question after the *Daily Telegraph* published a report by senior Murdoch journalist Steve Lewis, which included the text of an email purportedly sent in February from Rudd’s economic adviser Andrew Charlton to Godwin Grech, the Treasury official in charge of the OzCar scheme. Charlton allegedly wrote: “the PM has asked if the car dealer financing vehicle is available to assist a Queensland dealership, John Grant Motors, who seems to have trouble getting finance”.

On Friday, Godwin Grech gave evidence before a Senate inquiry. He appeared to confirm the *Telegraph* report when he said that he recalled receiving an email from the prime minister’s office alerting him to Grant’s case. At the same time, however, he issued a caveat, declaring that he did not have a copy of the email and could not be sure of his memory, as it could be “totally false and faulty”.

Grech’s evidence also implicated Treasurer Wayne Swan. Earlier this month Swan (who previously bought a vehicle from Grant at the normal commercial price) admitted to parliament that the car dealer had contacted his office, after which he referred the matter onto the Treasury Department’s OzCar officials. “I have no idea what the outcome of that was,” Swan insisted, adding that Grant had been treated “just like everyone else”.

However, a series of emails between Grech and Swan’s Treasury liaison officer, which were forwarded to the treasurer’s home fax, suggested that the financing case had been followed very closely and had not been processed in a standard manner. Grech testified that it had been made clear to him that Grant “was no ordinary constituent”; he also said that working on the matter had been very “labour intensive”.

As a result, when Ford Credit applied for a \$500 million line of credit, Grech met with senior executives and asked if it was possible for them to assist John Grant. In the end nothing came of these inquiries and the Grant dealership did not receive any

assistance connected to the OzCar scheme.

Liberal leader Malcolm Turnbull nevertheless responded to the *Telegraph* story and Grech's testimony by accusing both Rudd and Swan of a "shocking abuse of power". He declared: "The prime minister and treasurer have used their offices and taxpayers' resources to seek advantage for one of their mates, and then lied about it to parliament."

Rudd responded to Turnbull's allegations by insisting that the email cited by reporter Steve Lewis did not exist and was a fake and forgery. He also repeated his initial denial of having ever lobbied on behalf of the Grant dealership. The prime minister then ordered the auditor-general to investigate whether anyone from his office did write the email, and a report is due at the end of July. The attorney general's department has referred the case to the Australian Federal Police.

Rudd has challenged Turnbull to produce the alleged email or apologise and resign. Labor MPs have also demanded that the Liberal Party rule out having drafted the email itself. On Saturday, Turnbull categorically denied that anyone in the opposition had either composed the email or provided it to the media. The Liberal leader also insisted that he did not have a copy of the alleged letter, though he refused to answer questions about when he first knew of its existence. This was certainly prior to the *Telegraph*'s initial story; at a parliamentary ball on Wednesday, Turnbull confronted Rudd's advisor Andrew Charlton over alleged "documentary evidence" relating to the OzCar affair. Government ministers claim that Turnbull has spent weeks boasting to journalists about a "smoking gun" in his possession.

The *Australian*'s editor-at-large Paul Kelly noted on Saturday that the standoff marked the injection of "a new brinkmanship into national politics". Either Rudd is lying about his office never having sent the email—in which case he would be forced out of office and likely charged with criminal offences—or, as currently appears more likely, Turnbull has issued false corruption accusations based on a fraudulent document.

If the latter proves to be the case, it will mark a potentially fatal error of judgement by a usually savvy political operator. It can only be explained by the profound disorientation that has wracked the Liberal Party since it was routed in the 2007 election. From the moment Turnbull became head of the Liberals in September last year, he has faced entrenched opposition to his leadership from the most right-wing elements within the party. For those MPs loyal to former prime minister John Howard, Turnbull's perceived liberalism on certain social issues is anathema; even worse has been his attempt to regain public support by distancing the party from some of the Howard government's anti-working class economic policies. Turnbull's repudiation of the WorkChoices industrial laws drew fierce opposition from within Liberal ranks, while his efforts to convince his colleagues to back the government's carbon trading legislation have thus far failed.

In the course of what the media is now calling "ute-gate", former Howard loyalists have ratcheted up the rhetoric against Rudd and Swan. Former Howard health minister Tony Abbott told the ABC's "Lateline" program on Friday night that he did not accept Rudd's statement that no email had been found after a thorough search of his office's computer systems. "I hate to sound cynical, but there are such things as searches designed to lose the evidence," Abbott declared provocatively.

It remains unclear who fed the purported Rudd office email to the Murdoch press. There is a definite possibility that elements within, or close to, the Liberal caucus, who want Turnbull replaced, were responsible. Who would potentially take over the opposition leadership is another question; former treasurer Peter Costello, previously regarded as an obvious challenger-in-waiting and regularly touted for leadership by the Liberals' right wing base, last week announced that he was quitting parliament.

Within Labor Party ranks there appears to be confidence that Rudd is in the clear, given he is unlikely to have called for a federal police and auditor general investigation without being certain that no incriminating evidence could be found. Wayne Swan's position is less clear, with the publicly released evidence suggesting that his initial statements may not have been entirely accurate in presenting the extent of his involvement in John Grant's financing case. The *Australian*'s lead editorial today demanded that the treasurer "fine tune his response" and produce evidence to back up his claim that other car dealers were treated in similar fashion to Grant. It added, however, that Swan's performance "might not be a sacking offence".



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