

Australian prime minister under pressure over union corruption allegations

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Prime Minister Julia Gillard has spent the past week responding to yet another alleged scandal that has threatened to destabilise the government and even force her out of office.

Encouraged by the prime minister's enemies within her own Labor Party caucus, Murdoch's *Australian* newspaper published a series of stories providing new details on an incident that occurred 20 years ago, when Gillard worked as an industrial lawyer. In 1992, while a salaried partner with Slater & Gordon, a Melbourne law firm with close ties to the trade unions, she assisted Australian Workers Union (AWU) official Bruce Wilson set up a "slush fund" for union election campaigns. Wilson was Gillard's partner at the time.

The fund was registered as the "AWU Workplace Reform Association," purportedly for the purpose of promoting training and safety on construction sites. It was later found that construction companies donated hundreds of thousands of dollars, which were allegedly used for personal gain, including Wilson's purchase of a house. Gillard has always maintained that she did nothing wrong and that she ended her relationship with Wilson as soon as she found out that he was improperly using the fund.

The re-emergence of the nearly two-decade old allegations underscores the Labor government's chronic instability.

From the moment that Gillard replaced Kevin Rudd as prime minister in June 2010, through an anti-democratic coup, a stench of illegitimacy has surrounded her leadership. Lacking any measure of popular support, she has managed to hold on to office since the August 2010 election thanks only to the backing of the Greens and two independents in a hung parliament. Her minority government has veered from one crisis to another. Recent months have seen various squalid manoeuvres surrounding the installation of former Liberal parliamentarian Peter Slipper as speaker of the House of Representatives, and an ongoing controversy involving Craig Thompson, a Labor MP alleged to have engaged in corrupt activities while he was a senior official in the Health Services Union.

The AWU slush fund episode was picked up by the Murdoch press after Labor MP and Gillard opponent Robert McClelland deliberately raised the issue in a speech to parliament in June. The speech was ostensibly concerned with government legislation affecting the unions, which was introduced in the wake of the Health Services Union scandal. In 1995, McClelland had been working as an industrial lawyer and was called in by the national AWU leadership to investigate Bruce Wilson's activities and the use of the Gillard-created fund. Subsequently, McClelland served as attorney general under Rudd and then Gillard, who earlier this year dumped him from the cabinet.

The *Sydney Morning Herald's* Peter Hartcher reported today: "Privately, McClelland told colleagues that he fully intended to give Gillard a punch in the nose. It was a clear signal that he was joining the destabilisation of Gillard. It was a declaration that the Wilson affair was now fair game. And it was an invitation to others to reopen the matter, to use it against Gillard, and to receive the blessing and support of at least a part of the Labor Party."

The *Australian* devoted considerable resources to the story, securing statements from Nick Styant-Browne, a former equity partner at Slater & Gordon, and documents from the law firm relating to its internal investigation of the AWU slush fund and of Gillard's role. Styant-Browne contradicted Gillard's long-stated claim that she voluntarily resigned from Slater & Gordon after deciding to go into parliament. He insisted that she had been in danger of being fired for her role in setting up the union association, while failing to establish a legal file on the matter. During the past week, a transcript of a tape recorded interview conducted by Slater & Gordon with Gillard was released. In it, she acknowledged that the AWU Workplace Reform Association was "a re-election fund, slush fund, whatever, into which the leadership team puts money so that they can finance their next election campaign."

Gillard initially insisted that this was all old news—nothing more than muckraking allegations—and refused to discuss it any

further. Last Thursday, however, she held a 50-minute press conference on the matter, again denying any wrongdoing. She declared she had no role in how the AWU association was utilised and knew nothing about funds improperly secured from construction companies. Explaining her failure to open a file cataloguing her work for Wilson, she said it would have been better had she done so, but at the time this was just one of several services she provided for different unions without billing them.

On the contradiction between the stated purpose of the union association that she helped establish—to promote training and safety in the building industry—and her description of it as a “slush fund,” Gillard said she now regretted using that phrase. She added: “I understood then the purpose of the association was to support trade union officials who would stand on a platform about reform and improvements in workplaces.”

This disingenuous explanation, even if accepted at face value, only points to the sordid operations of the unions. Union bureaucrats habitually enjoy the lucrative spoils of office, not only securing generous six-figure salaries, but the opportunity to sit on superannuation directors’ boards, serve on various union-government-industry corporatist bodies, provide well-paid career and business opportunities to their patronage network, and, of course, position themselves for a post-union career in parliament or in the corporate world. Gaining control of the upper echelons of the union apparatus, and holding it against rival cliques, requires both money and close connections with various political, legal and business figures.

There is no reason to believe that the operations of Bruce Wilson and his colleagues, including their shakedowns of construction companies under the cynical guise of “workplace safety,” were especially out of the ordinary. These figures merely happened to run afoul of more powerful factional enemies within the AWU hierarchy.

The political meaning of this latest scandal, however, can be understood only in the context of the worsening global economic crisis and the unravelling of Australia’s two-decade long mining boom.

The Australian ruling elite is insisting on sweeping new pro-business, economic restructuring measures. The Murdoch media’s promotion of the AWU Slater & Gordon affair is a means of escalating the pressure on Gillard to deliver the kind of ruthless austerity and pro-market “reforms” being enacted in Europe and the US, under conditions where there are widespread corporate concerns that she is not up to the task.

The economic slowdown in China has ruined the government’s economic forecasts, upon which its projected

budget surplus depends. In order to eliminate the budget deficit, as Gillard has promised the financial markets, her government will need to implement tens of billions worth of additional spending cuts. Giving expression to these concerns, the *Australian Financial Review*’s political editor Laura Tingle yesterday stressed that BHP Billiton’s cancellation of a \$20 billion expansion of the Olympic Dam mining site “marks the point when both sides of politics have to stop fighting about the carbon and mining taxes, stop talking about sharing the boom, and give themselves room to talk about how they might adjust to very different economic circumstances.”

Moreover, corporate circles are demanding far-reaching changes to the government’s Fair Work Australia industrial relations regime, to allow greater “flexibility,” i.e., wage cuts and layoffs. This is in order to maintain “competitiveness”—in other words, match the low-wage benchmarks set across Asia and now in the US. However, in a speech to the Australian Industry Group last Monday, Gillard denied that the Fair Work laws had hindered productivity and that the reintroduction of individual workplace agreements would help raise productivity levels. This was an implicit rebuke to the *Australian*’s long-running campaign on these matters.

The newspaper itself has tied the AWU Slater & Gordon allegations to corporate demands for a transformation of labour relations. It editorialised on Thursday that the issue had highlighted “the narrow base from which much of the Gillard cabinet is drawn.” It continued: “Given the preponderance of trade union officials and industrial lawyers in Labor ranks, it is not surprising that the government, including Ms Gillard, views IR [industrial relations] reform and productivity through the prism of the union movement.”

The *Australian*’s investigation of the Slater & Gordon affair has no doubt been at least partly aimed at demonstrating, yet again, to both Gillard and the entire political establishment, the extraordinary role the newspaper continues to play in Australian politics. Having single-handedly determined the political agenda in Canberra during the past week, and compelled Gillard to give Thursday’s press conference, the Murdoch broadsheet has delivered a warning to the prime minister that it would be in her best interests to stay strictly “on message.”



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