

# Australian government minister steps aside: A revealing episode

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26 March 2014

Senator Arthur Sinodinos was forced to stand down as Australia's assistant treasurer last week amid a corruption scandal. The affair sheds a revealing light on the growing inequality in Australia and the aspirations of an upper middle class layer, personified by Sinodinos, to climb into the ranks of the wealthiest elite.

After days of controversy, Sinodinos stood aside from his key post in Prime Minister Tony Abbott's government despite being vehemently defended by Abbott as a "man of great distinction" who "has served our country long and faithfully." Former Prime Minister John Howard, for whom Sinodinos was chief of staff, called him "a man of great integrity and ability."

The assistant treasurer's departure followed revelations at an ongoing New South Wales Independent Commission against Corruption (ICAC) inquiry into alleged corrupt conduct involving a private company, Australian Water Holdings (AWH).

It emerged that Sinodinos was paid \$200,000 a year to sit on the board of AWH, and stood to gain about \$20 million from the sale of AWH shares if the company had been awarded a lucrative contract by Sydney Water, a state government-controlled utility. His fee alone—for working about 100 hours a year—was more than three times the average annual wage, which is \$57,980 according to the latest available Australian Bureau of Statistics data.

AWH benefitted substantially from outsourcing by the longtime NSW state Labor government and from its connections with key political and government figures. From the mid-1990s, Sydney Water awarded the company sewerage and water infrastructure contracts worth hundreds of millions of dollars. These included a lucrative "cost-plus" contract to supply services in

Sydney's northwest. AWH used that contract to pass on to the state-controlled entity the costs of generous executive bonuses, salary increases and entertainment expenses.

The inquiry has revealed that AWH had links with former NSW Labor Party cabinet minister and powerbroker Eddie Obeid, who was found by a previous ICAC inquiry to have engaged in corrupt activities associated with using his position in the state Labor Party machine to obtain mining exploration licences.

The Obeid family allegedly became "secret stakeholders" in AWH in 2010, paying \$3 million for a 30 percent share in the company. Obeid's youngest son, Eddie junior, was employed by AWH on a salary of \$350,000 a year as part of the deal.

Allegations before the present inquiry include that Obeid corruptly used his political influence to lobby colleagues to try to secure a \$200 million partnership deal between the Sydney Water and AWH. That would have netted his family an estimated \$60 million. Sinodinos, who joined the board in 2008, was given 5 percent of the company's shares and would have gained some \$20 million.

Sinodinos announced he would "step aside" as assistant treasurer in Abbott's federal Liberal-National government ahead of appearing before the inquiry as a witness. At the same time, he denied any wrongdoing. He denied any knowledge of the Obeid investment or of a \$75,000 donation to the Liberal Party by AWH, even though he was the NSW Liberal Party treasurer at the time. The donation itself was charged to Sydney Water under the cost-plus arrangements.

However, Sinodinos did not deny evidence to the inquiry that he was paid the princely sum of \$200,000 a year plus bonuses when he became AWH chairman

between late 2010 and late 2011. Officially, his work primarily consisted of attending monthly board meetings.

The revelations underscore the grubby and murky relationships that exist between the corporate world and the political elite at all levels. Like many leading politicians and backroom powerbrokers, both Liberal and Labor, who find their way onto corporate boardrooms, Sinodinos was not appointed to the lucrative AWH position because he brought with him any expertise or technical knowledge.

The inquiry heard that his appointment was intended to “open up lines of communication” with an impending NSW state Liberal government once it became clear that the widely despised Labor government faced an overwhelming defeat in the March 2011 state election.

Sinodinos certainly had the credentials to lobby on behalf of AWH. He was politically well connected after serving for nine years as Howard’s chief of staff. As a close confidant of Howard, he had been portrayed in the media as one of the most powerful people in the country.

With the Howard government facing defeat, Sinodinos left Howard’s office to join the corporate sector in 2006, no doubt seeking much greater financial rewards than those on offer for a senior public servant. As Howard’s chief aide, Sinodinos would have been paid the equivalent of about \$250,000 in today’s dollars. This was enough to place him within Australia’s top 5 percent in income terms, but for someone rubbing shoulders with the captains of finance and business, it was nowhere near enough to sustain the lifestyle to which Sinodinos became accustomed.

Even a quarter of a million a year, four times the average workers’ wage, was still a far cry from the million dollar-plus remuneration packages of the richest 1 percent—those who *can* afford homes in Sydney’s exclusive suburbs, expensive private school fees and prestige cars. Such are the aspirations of a grasping privileged section of the upper middle class.

From 1993 to 2009, the average income of CEOs of the 100 biggest companies listed on the Australian Stock Exchange rose from \$1 million (17 times the average wage) to \$3 million (42 times the average wage). Today, five years on from the global financial crash of 2008–09, it is estimated that the top 20 CEOs

earn more than 100 times the average wage, with a significant number earning eight-figure salaries.

On the basis of his service to Howard, Sinodinos secured highly-paid positions at National Australia Bank and Goldman Sachs. He also held top Liberal Party executive positions, including NSW party treasurer and president. Even so, he sought bigger payouts via his involvement with AWH.

Sinodinos was also held in high regard by the Labor Party and throughout the political establishment. In 2008, the Labor government honoured Sinodinos, appointing him an Officer of the Order of Australia in 2008 for “service to politics through the executive function of government, to the development of economic policy and reform.”

Two years later, in 2010, Sinodinos officially returned to political life, becoming a Liberal Party-nominated federal Senator, drawing a relatively lowly \$140,000 annual salary (along with fat parliamentary allowances). Last year, once he became a minister in Abbott’s government, his salary rose to around \$253,000, still far short of the top 1 percent.

As assistant treasurer, Sinodinos sat on the Expenditure Review Committee, the government’s budget razor gang, which is drawing up plans to further slash social services, welfare payments and public sector jobs, deepening the cuts made by the previous Labor government to meet the demands of the financial elite. Like the rest of the Abbott government, Sinodinos also opposes raising the legal minimum wage, currently \$32,350 a year, claiming that labour costs are already too high in Australia.



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