

More than a bottle of wine involved in ousting of Australian state premier

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Barry O'Farrell, the premier of New South Wales, Australia's largest state both by population and economic size, was forced to resign yesterday after evidence emerged at an Independent Commission Against Corruption (ICAC) hearing that called into question his version of events surrounding the receipt of a bottle of wine valued at \$3,000.

On Tuesday, as part of a hearing into Australian Water Holdings and whether it had corrupt relations with members of the state government to secure lucrative contracts, AWH chief executive Nick Di Girolamo stated that he had given a bottle of Grange 1959 wine to O'Farrell following his landslide victory in the March 2011 state election.

ICAC decided to call O'Farrell as a witness in order to question him on the gift. Counsel assisting the inquiry, Geoffrey Watson SC, had made clear during the course of the hearings that O'Farrell was not under investigation for corruption. He later indicated that he had been in "two minds" as to whether to even call the state premier.

In answer to questions on Tuesday, O'Farrell insisted that neither he nor his wife had any knowledge of the wine and that he would remember if he had received a bottle of the highly-priced Grange, especially as the 1959 vintage was the year of his birth. He also indicated that he had no recollection of a 28-second phone call to Di Girolamo on the evening of the day that the wine was delivered by courier to his home in the northern suburbs of Sydney.

O'Farrell emerged from Tuesday's hearing with little more than a cloud over his head about his lack of memory and the failure to have the gift registered in the list of pecuniary interests which MPs are required to update. Nothing had emerged from the hearing to suggest that he would have to quit.

Events, however, took a dramatic turn yesterday. O'Farrell called a press conference shortly after 9 a.m. to announce that he was resigning as premier as the ICAC tabled a note from O'Farrell to Di Girolamo thanking him for the wine.

Watson angrily rejected suggestions that he had withheld the note in order to entrap O'Farrell and stated that it had only been received by ICAC in the morning from Di Girolamo's lawyers.

There are only two possible explanations. Either Di Girolamo had forgotten about the note or suddenly came across it following O'Farrell's evidence on Tuesday, or he had deliberately held on to the note until after the premier had made his appearance and denied under oath all knowledge of the wine.

While the WWSW is not in a position to have exact knowledge of the course of events, the first scenario seems on its face to be highly implausible. Noticeably the establishment media has not pursued any investigation into the circumstances of the sudden appearance of the note and Di Girolamo's role in bringing it forward.

Whatever the precise circumstances of the Grange affair, the ousting of a state premier enjoying a record parliamentary majority in his first term of office is about more than a gift of high-priced wine.

As history demonstrates, and the highly acclaimed American television political drama series *House of Cards* has underscored, scandals in politics are a crucial means by which conflicting interests and factions in ruling circles pursue their agendas.

The ousting of O'Farrell has taken place within just four weeks of the first federal budget to be brought down by the Liberal government of Tony Abbott elected last September. It is shaping up to be one of the most significant in the post-war period following a

campaign by key sections of the financial elites and their think tanks demanding sweeping cuts in government spending, targeting all areas of vital social services.

Hardly a day has passed in recent months without an editorial or op-ed piece appearing in the mass media demanding that the Abbott government deliver on the pledge by Treasurer Joe Hockey to end the “age of entitlement,” notwithstanding Abbott’s own election commitments that he would not cut pensions, health and education.

The imposition of such measures will require the full-scale collaboration of the state governments, which are responsible for the provision of many key social services.

Significantly, one of the central criticisms of the O’Farrell government, much of it emanating from within sections of the Liberal Party, as well as the press, is that it has not gone far enough or fast enough in implementing spending cuts and carrying out the free market agenda being pressed by the financial elites.

In its last budget, delivered in June 2013, the O’Farrell government unveiled public sector savings worth \$18 billion over the next six years, leading to an estimated loss of 10,000 jobs on top of the 15,000 jobs already eliminated to that point.

While praising the budget, the Murdoch-owned *Daily Telegraph* demanded that the state government “stop dithering” and privatise the remainder of the state’s electricity system, eliminating thousands more jobs and that O’Farrell abandon his election pledge not to sell off the assets without an electoral mandate.

The criticism was not confined to the columns of the Murdoch press. In today’s *Sydney Morning Herald* state political editor Sean Nicholls noted that for those in the Liberal Party and more broadly expecting “bold reform”, the O’Farrell government had been a “disappointment.”

According to Nicholls: “[F]or many, the hallmark failure was O’Farrell’s reluctance to embrace the biggest reform: sale of electricity poles and wires which, by some estimates, could deliver the state \$30 billion.” O’Farrell said he would not proceed with the sale without a mandate and had even hinted he might abandon that approach in the face of a trade union “scare campaign.” “To say his colleagues were bitterly disappointed is an understatement,” Nicholls wrote.

NSW state treasurer Mike Baird, who has been voted in unopposed as premier, is a vigorous supporter of electricity privatisation. With close connections to key financial interests in Sydney, after an earlier career as a merchant banker, Baird is described as coming from the “left” faction of the highly divided and fractious NSW Liberal Party.

But some observers maintain this is merely a front and that in the recent period Baird has developed his ties with the right-wing faction led by David Clarke, a member of the Legislative Council, the upper house in the NSW parliamentary system. Former Labor premier Kristina Keneally has described Clarke as the “godfather of the extremist right of the Liberal Party.”

The fallout from O’Farrell’s ousting will extend beyond NSW and into the federal sphere. Resisting demands from financial circles that he proceed at a much more rapid pace with “reform,” O’Farrell was regarded as being too concerned with electoral considerations and not going beyond his “mandate.”

However, one of most consistent themes in all the media and think-tank commentary is that such notions are really quaint parliamentary relics of the past. Their conclusion is that what is needed in the current circumstances is strong leadership that is prepared to pursue the necessary agenda regardless of the electoral consequences.

Considered in this light, the ousting of O’Farrell is a message to Prime Minister Tony Abbott, who is also on record as saying that he will not break election promises and will not undertake new commitments without first taking them to the polls.

If Abbott does not fall into line, there is always the prospect of another scandal.

As the *Australian Financial Review* reported this morning: “[I]n Canberra questions are being asked about an AWH receipt tabled at ICAC for two entries totalling \$2650, marked ‘Liberal Party dinner with Tony Abbott’ on September 20, 2012. Abbott is said to have denied ever meeting Di Girolamo.”



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