

# Union corruption scandal plagues Australian PM

By Patrick O'Connor  
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The final week that the Australian federal parliament sits for the year has again been dominated by allegations that Prime Minister Julia Gillard was complicit in a union corruption scandal nearly 20 years ago.

The issue has been promoted by the Murdoch press as a means of placing pressure on Gillard to implement further austerity measures and introduce new laws undermining workers' conditions and ability to take industrial action. For its part, the Liberal-National opposition coalition has seized on the claims as another potential means of bringing down the minority Labor government.

The affair dates back to 1992, when Gillard was working as an industrial lawyer with Slater & Gordon, a Melbourne law firm with close ties to the trade unions. She provided free legal advice to her then partner, Australian Workers Union (AWU) official Bruce Wilson, on how to establish a registered association. Called the "AWU Workplace Reform Association," it was ostensibly aimed at promoting training and safety on construction sites. In fact, the entity was, as Gillard later told her colleagues at Slater & Gordon, a "slush fund" for inner-union election campaigns run by Wilson and his factional allies. Several construction companies donated hundreds of thousands of dollars to the fund, proceeds of which were then allegedly used for the personal gain of Wilson and/or his colleagues, including the purchase and subsequent sale of a house in inner Melbourne.

In 1995, when the alleged fraud within the AWU was uncovered, Gillard ended her personal relationship with Wilson and ceased working with Slater & Gordon. In 1998 she was first elected to federal parliament.

The AWU affair has been raised periodically within political and media circles at different points in

Gillard's career. Liberal MPs in the state of Victoria twice accused Gillard, in 1995 and 2001, of receiving misappropriated "slush fund" money from Wilson, including for personal home renovations. She denied the accusations and threatened to sue the Liberal politicians if they repeated their remarks outside parliament, where statements are immune from defamation laws.

In 2006, shortly before Gillard and Kevin Rudd worked together to oust then Labor leader Kim Beazley, Gillard's factional enemies within the Labor caucus brought up the affair, encouraging the media to investigate. The issue surfaced again in the Murdoch media in the midst of the 2007 election campaign that brought Labor to power.

Only now, however, has the issue become the subject of an extraordinary campaign, with Murdoch's *Australian* newspaper publishing front-page stories virtually daily for the last several months. It is a basic law of bourgeois politics that corruption scandals are never about corruption. Instead, like sex scandals, corruption is used as a means of engineering policy shifts, or to remove or sideline targeted political operatives, while the real underlying issues involved are kept out of the public eye.

For all the breathless coverage of the AWU affair, what Wilson and his colleagues are alleged to have done amounts to standard operating procedure within the trade union bureaucracy. The corruption allegations within the AWU, following the recent Health Services Union scandal, underscore the close collaboration of union leaders with the business elite for whom they function as industrial policemen enforcing corporate demands for continual inroads into the jobs, wages and basic rights of workers.

Wilson himself began his trade union career as a

“left” and a “militant,” leading an occupation of an oil and gas rig by 300 workers off the Western Australian coast in 1986. Labor Prime Minister Bob Hawke reportedly considered deploying a warship against the workers. Wilson subsequently took over the leadership of the AWU in Western Australia, before teaming up with right-wing Queensland AWU powerbroker Bill Ludwig, who reportedly regarded Wilson as a potential Labor prime minister. The up and coming union official came unstuck, however, in 1995 when his factional opponents in Victoria found out about the slush fund and used it to oust him. Construction companies, *crikey.com* has since reported, had deposited cheques in the fund “for what they believed to be legitimate purposes, including membership fees” although “in some cases, they appear to have been paid as a quid pro quo for industrial peace.”

The central questions put to Gillard about the affair are whether she acted improperly or illegally in helping register an association that she knew was a slush fund, why she failed to open a file at Slater & Gordon on the case, and why she did not alert the national AWU leadership when the entity was created. Other questions were whether she financially benefited in any way, and why she did not contact the police when she allegedly first learned about corrupt activity. However, no evidence of criminality or wrongdoing has been produced. The prime minister has denied all wrongdoing, held two lengthy press conferences answering questions on the matter, and responded to the opposition’s demands for an explanation in parliament.

In response, a division has emerged within ruling circles. One wing, articulated through the Fairfax Press and the ABC, has largely accepted Gillard’s accusation of an opposition-led “smear campaign.” The prime minister has sought to counter by accusing opposition leader Tony Abbott of relying on personal attacks because he has no policy proposals of his own—a line echoing the deep dissatisfaction in corporate Australia about the opposition’s refusal to outline an alternative program of budget cuts and pro-business policy proposals.

The Murdoch press, while not calling for Gillard’s replacement or supporting Abbott, is continuing to exploit the AWU scandal to place additional pressure on the Labor government. After years of promising the

financial markets they would return the budget to surplus by 2012-13, Gillard and Treasurer Wayne Swan have recently left open the possibility of another deficit next May. Any suggestion that major US and European-style austerity cuts to welfare, public health and education, and other social services, can be postponed any longer is anathema to big business. The *Australian* complained in an editorial last Saturday that the country’s “public finances are lurching towards crisis unless the government makes radical spending cuts... the spectre of a European debt crisis and economic sclerosis in the US provides a clear warning of what awaits if we trundle down the same path.”

Alleged union corruption is also being used to press for new industrial relations legislation to assist business in cutting wages and boosting productivity, while further cracking down on the already very limited avenues for workers to take authorised industrial action. The *Australian Financial Review*’s editorial on Monday stated that the AWU affair has “been thoroughly traversed and there are far more significant issues for public debate,” but nevertheless insisted there were wider ramifications concerning industrial “lawlessness.” It complained of recent construction site pickets in Victoria, and the failure of the Gillard government to intervene against them.

The future course of the AWU scandal will be primarily determined by how Gillard and her government acts on these demands.

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