

# Sinodinos Still Living in the Age of Entitlement

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If the Coalition is serious about ending 'the age of entitlement' they will need to crack down on private-public partnerships, political donations and the top end of town, writes Ian McAuley.

It would be surprising if the NSW Independent Commission Against Corruption (ICAC) were to find Arthur Sinodinos had engaged in criminal or corrupt behaviour. If inadequate diligence in financial management were a criminal offence, many of Australia's company directors would be behind bars.

But his indifference to the waste and extravagance at Australian Water Holdings (AWH) does indicate his unsuitability for public office, particularly in a portfolio where he is expected to exercise guardianship over the community's economic resources. When Penny Wong says the government will find budget preparation difficult without him that's surely no more than a cheap political shot.

In fact his departure can only strengthen the Coalition's economic competence. Like Cawdor in Shakespeare's Macbeth, the most honourable thing he has done for his ministerial colleagues has been to depart from their company.

The ICAC hearings will provide rich pickings for journalists, and the Labor Party will enjoy a little schadenfreude, but few journalists or politicians are delving into the public policy issues relating to Australian Water Holdings and Sinodinos' behaviour.

In relation to Sinodinos himself, the most revealing guide to his values is his Chairman's fee of \$200 000, for around 100 hours of work, and apparently not very strenuous work, otherwise he would have learned about the company's association with the Obeid family. If it's okay for him to pay himself \$2000 an hour, and if it's okay for him to stand to make \$20 million from minor involvement in a government contract, then it's obviously okay for financial planners to be permitted to go on taking money from their clients' accounts, even if they are doing nothing for those clients.

Suspending Sinodinos from the ministry is only tokenism. Withdrawing his changes to the Future of Financial Reforms legislation would demonstrate that the Abbott Government is serious about distancing itself from the culture of entitlement, and would give it some moral authority in dealing with those (few) cases where industrial awards contain excessively generous provisions. It cannot address these issues with any authority, however, while being permissive about behaviour at the top end of town.

The wider policy implications of this story are about the relationship between corporations and political parties and about the benefits, if there are any, of privatisation. Neither the Coalition nor Labor is likely to raise these issues, because at the federal level at least they seem to have a policy of dysfunctional bipartisanship, at the public's expense.

In 2012 the NSW Government, at the instigation of Premier Barry O'Farrell, passed legislation banning any entity other than individuals from making donations to political parties in NSW. Unions NSW challenged the legislation and, in a High Court decision late last year, the laws were overturned. Just as ICAC hearings bring together strange bedfellows, so too do laws restricting the political influence of the powerful, for their repeal was welcomed not only by unions and the Labor Party but also, in the name of freedom of speech, by the Institute for Public Affairs.

The laws were far from perfect — such legislation can be circumvented by laundering money through individuals and they would have been to the disadvantage of public interest groups (as distinct from corporations and unions whose interests are about their own material interests) — but they were a step in the direction of removing corporate and union power from political processes. They were seen as anti-Labor and anti-union, but both the union movement and Labor would surely benefit from going their own ways.

So too would corporate governance and management improve if the opportunity for securing privileges through political donations were removed. As Peter Drucker pointed out, corporations have a limited remit, and that does not include the right to take their shareholders' money for political purposes.

Some good would come from the ICAC investigations into AWH if it prompted another look at political donations — perhaps even proposed constitutional amendments. This may be one of those rare cases where opposition from the large parties actually builds public support because the AWH case, in exposing bad

behaviour on both sides of politics, would be feeding public cynicism about the behaviour of those large, established parties.

The other lesson should be about privatisation. Why was Sydney Water, an old and well-respected government enterprise, contracting out its business, not directly to engineering firms, but to an intermediary whose role seemed to be to grease palms and take a huge cut of the proposed contracts, without adding any apparent public value? As Ben Eltham points out, the people at AWH didn't know much about digging ditches or laying pipes, but they knew how to go about gaining political privilege, even to the extent of milking funds from Sydney Water to fund their lobbying.

In the case of AWH those costs will be exposed, thanks largely to the ICAC processes, but for most other privatisations and public-private partnerships those costs are out of sight. There is a good case for government business enterprises to contract with the private sector, and in fact they have been doing it for ages, well before the consulting firms and other intermediaries got into the PPP business.

But there is no case for slick financial deals which do nothing but add costs to infrastructure projects — costs ultimately borne by the public — and which open up the possibility of corruption.

Those who like to get their fingers into the public till like PPPs — and in justification they make unsubstantiated claims about some apparent intrinsic virtue in privatisation while often ensuring that the public sector ultimately bears the risk. Governments, obsessed with impression management, like PPPs because they can shift debt off the government books. These are both sound reasons for government business enterprises, like Sydney Water, to retain control of projects and to abandon the PPP model.