

## The Winding Up of WA Inc.

*John Hyde*

The corporatist dalliance between State governments and business has been discredited and the Dowding Government is retreating from some elements of WA Incorporated. Partial withdrawal, however, will not relieve the government of the duty of disclosure. WA Inc. was in its nature secretive and members of the public do not yet know much about it. The government has a duty to facilitate all of the parliamentary and legal procedures which might reveal the infamy or the glory of WA Inc.

Because governments do not face bankruptcy, can rewrite the rules and compel obedience, marketplace and legal sanctions have little effect upon them. 'Accountable' government, therefore, depends ultimately upon democratic procedures---disclosure and periodic elections. Both are needed. As many senior Labor politicians once pointed out in relation to Vietnam, the vote is largely pointless where the government restricts information.

The WA, Victorian and Queensland governments have entered into unusual relationships that more conventional politicians regard as improper. If democracy in those States is to be half effective, the voters must learn what was done. What is more, Mr Dowding, Mr Cain and Mr Ahern have a lot more cleaning-up to do. In the forthcoming Queensland election it will be important to elect a Labor Government for the same reason Labor Governments should have been sacked in WA and Victoria--to defend the integrity of the political process.

Before the WA election a committee chaired by Sir Francis Burt reported on public-sector accountability. The committee became known colloquially as 'The Committee for Honesty in Government' but, in fact, its brief was much narrower. It reported on the legal accountability to government and parliament of certain government agencies, but not on the accountability of the government to the public.

Given terms of reference which prevented examination of past events, the committee's findings were remarkably adverse. The Premier is now acting promptly and correctly to wind up WA Government Holdings, EXIM and WA Development Corporation, but they are only the tip of an iceberg.

Some other processes, which should lead to disclosures, are fortunately out of the Government's hands. Rothwells, the altar on which so much taxpayer money was sacrificed, is in the hands of liquidators who must report in public. The State government is committed to release the confidential National Companies and Securities Commission report before the parliament rises in a week. Legal proceedings may follow.

There are, however, other matters requiring public scrutiny. One of these is a \$150 million indemnity which Mr Burke, on behalf of taxpayers, made to the National Australia Bank.

When Rothwells was in dire straits, the NAB, at the request of the WA government, lent Rothwells \$150 million against the security of a State government indemnity. Australian governments have a reputation for ultimately meeting their debts and no doubt the NAB felt secure. Just prior to declaring itself insolvent, Rothwells repaid NAB. It would have been so improper for the State government to have asked a shaky Rothwells to repay NAB, that perhaps we should perish that thought. Nevertheless, other creditors are now claiming that the NAB loan was 'preferred' and that it should rank with their loans.

On a legal technicality, the Government is now trying to worm out of its indemnity. Private citizens who resort to legal loopholes to avoid clear moral obligations deserve censure, but we accept that they are bound only by the law. It is not so with governments. The makers and guardians of the law are not easily constrained by the law, but they do face another discipline---votes. Through the ballot box an informed public should be able to hold them to account for moral failures and mere incompetence which cannot be captured by law. Imperfect though this procedure is, it is much better than nothing.

Further, a well-founded fear of governments has led to traditions which impose procedures which greatly restrict government discretion. A career public service usually helps the politicians to recognise these obligations, but, in WA's case, political appointments have somewhat corrupted the upper echelons of the service.

One of these obligations is that of open government. Since commerce cannot be conducted effectively before parliamentary committees, government should get right out of commerce.

For instance, when the government, with Bond Corp., purchased the petro-chemical non-plant it was secretive and, because it was driven by political considerations, careless about value. Ministers were not using their own money and the deal reeked of political impropriety. The facts are these: government approval to build a plant and some preliminary plans were both owned in equal shares by Mr Dempster and Mr Connell. The government and Mr Bond between them paid Mr

Dempster \$50 million and Mr Connell \$350 million. Mr Dempster was apparently satisfied with his price.

Mr Connell appeared to employ \$150 million to repay the government-indemnified NAB loan and most of the rest to repay debts to Mr Bond. This happened just three days before lawyers advised Rothwells that it was, in fact, bankrupt. Mr Bosch of the NCSC has said that he will be surprised if the Rothwells' collapse does not end in court. Perhaps so, but many things which are improper are, nonetheless, lawful. Greater good will come from a better-informed public than from prosecution of the bit players.

There are, at this stage, several unanswered questions. Some are: what is the taxpayers' equity in PICL worth now? Is the project with \$400 million of initial debt viable or must it be written off? Might taxpayers be forced to invest even more in the venture? Might a future government be tempted to subsidise PICL with cheap gas and electricity and with tax exemptions?

The activities of WA Inc, and of VIC Inc and the White Shoe Brigade in Queensland are wrong, if only because they benefit private interests at public expense. Any attempt by the relevant governments to characterise inquiry and appropriate accusation as 'muck-raking' or 'witch-hunting' should be seen for what it is---an attempt to avoid proper accountability.

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