

# Rudd in clear but spotlight on Grech

Patrick Walters

AUDITOR-GENERAL Ian McPhee is expected to clear Kevin Rudd and Wayne Swan of any impropriety in relation to the federal government's plan to provide financial help to car dealers including Queensland John Grant.

But the conduct of the Treasury official at the centre of the OzCar affair, Godwin Grech, is expected to come under critical scrutiny in Mr McPhee's report over his administration of the controversial OzCar program.

The Auditor-General is understood to have had a close look at claims Mr Grech may have given preferential treatment to one Sydney-based car dealer believed to have close links with the Liberal Party.

He is also believed to have probed claims that Mr Grech may have made improper use of confidential information in order to assist a number of outside parties.

Mr Grech is understood to have firmly rejected suggestions that the significant variation in his handling of individual representations for financial assistance for car dealers implied favoured treatment in particular cases.

In one instance involving multiple phone calls from an individual car dealer, Mr Grech apparently questioned whether he had the necessary training and skills to deal with what were judged to be very real human emotions arising from the financial crisis.

He has accepted that in this particular case he did provide significantly more assistance, judging that the complexity of the situation warranted the extra attention.

In defence of his management of the OzCar program, Mr Grech is understood to have referred to the enormous expectations that were placed on him in delivering a significant public policy initiative at a time of crisis as well as the debilitating impact of his very poor health. Mr Grech is also

believed to have expressed concerns about the level of resources committed by his department to the administration of the Rudd government's OzCar program for which he carried responsibility in Treasury.

As well as a lack of bureaucratic resources and allegedly confused lines of accountability Mr Grech was understood to be concerned about an "anything goes attitude" which demanded that prime ministerial policy initiatives were delivered on time.

His work on the OzCar program from last October had kept him at his desk for exceedingly long hours — an estimated 75-85 hours a week including weekends — despite his poor health and several spells in hospital.

Whatever his concerns about the policy processes, Mr Grech was also keen to see that the OzCar legislation passed the parliament.

As he said in his statement provided exclusively to *The Australian*, he was "absolutely desperate to ensure that the OzCar bill got through the Senate, not only because there were real jobs depending on it and the very future of Ford Credit depended on it — but because I was under strong pressure from my bosses to land OzCar and was being told that I was taking too long."

As he makes clear in his statement, Mr Grech feared the opposition might use the case of Brisbane car dealer John Grant to delay the passage of the bill through the parliament and leave him being blamed for the hold-up.

"I was also very keen to move on and was told that until OzCar was completed I was not likely to be able to move to another role."

The thrust of Mr Grech's statement is that he should not be held up as the principal scapegoat for the OzCar affair.

## Driven to ill-health by heavy workload

Patrick Walters  
Paul Maley

GODWIN Grech's health remains fragile and he has been hospitalised with depression for more than a month in the wake of the OzCar affair.

Mr Grech has been a patient in the psychiatric ward of a Canberra hospital since late June.

Mr Grech told *The Australian* a crisis assessment team presented at his home on June 22, the day the Australian Federal Police raided his house, urging him to check himself in. He agreed and said he had since been diagnosed with chronic depression.

Staff at the hospital have confirmed the diagnosis and that Mr Grech's admission was voluntary.

"What was already a very fragile physical health situation has deteriorated significantly," Mr Grech told *The Australian*.

"Compounding that is obviously the adverse impact on my mental and emotional well-being."

Mr Grech said he had stage three kidney disease and was told last week he had pre-renal failure.

The Treasury bureaucrat has a long history of ill-health and was hospitalised several times this year suffering from small bowel obstruction at a time when he was working 75-85 hours a week running the OzCar program.

Mr Grech has lost weight and now weighs around 44kg. He believes senior Treasury officials overlooked his precarious state of health in relying on him to deliver the Rudd government's OzCar program almost single-handedly.

He says his poor health was well-known to senior Treasury officials — from Secretary Ken Henry down — and that he was prone to developing small bowel obstructions. He says he has had his colon removed and suffers from an incurable and degenerative disease of the small bowel.

In late 2006, Mr Grech was off work for four months after an obstruction resulted in septicæmia and renal failure. He has since developed metabolic bone disease, including osteoporosis, and fears his next major health episode could prove fatal.

In early February, at the height of the financial crisis gripping Australia's car dealers, Mr Grech was again hospitalised with his seventh bowel obstruction since March 2005.

Earlier this year, he was off work for three weeks at a hectic time in the preparation of the OzCar legislation.

Mr Grech takes the view that Treasury could have given him extra resources to deliver the OzCar program given the overall workload, political sensitivities and time pressures.

## Treasury official reveals: Why I faked email



Among friends: Malcolm Turnbull at Robina Community College on the Gold Coast ahead of today's release of the Auditor-General's report on the OzCar affair. Picture: Richard Gosling

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Charlton email contained. I decided to create a record of exchange as an email that set out what I recollected the original email contained.

"Although the email was not an original, I thought that it would help having a record in the form that it appeared if or when the original could be located."

Mr Grech said that as four months had elapsed the exact wording of the email might not have been "spot on".

"(But) I was confident that the sentiment of the exchange was accurate — a position that I still believe today," he said.

Mr Grech then sent the email

from his Treasury email account to his private address on June 5, two weeks before his next appearance in the Senate and one week before his meeting with Mr Turnbull.

That meeting occurred in the Liberal leader's wife's office about 3pm and went for about an hour and a half, Mr Grech said.

Mrs Turnbull was not present and it is understood she has never met Mr Grech.

Mr Grech said the three men passed around the "email", a single copy of which had been printed out by Mr Grech.

But the Treasury official said he had taken the copy of the document back and had never provided it anyone. He is adamant

that he never gave permission for the email to be used by anybody.

Having worked on the scheme for months, Mr Grech said he was "desperate" to see the bill pass.

"I was under strong pressure from my bosses to land OzCar and was being told that I was taking too long and the whole thing was resembling the hospital with no patients made famous in the *Yes Minister* series," Mr Grech said.

Hansard shows Mr Turnbull asked two questions about the OzCar affair on July 15. In the first, Mr Rudd was asked whether he stood by earlier denials that Mr Grant had received no favours. In the second, Mr Swan was asked to detail any requests for assistance

for Mr Grant made by his office.

A spokesman for Senator Abetz, Brad Stansfield, who is also understood to have attended the meeting, declined to comment on Mr Grech's claims, citing the AFP investigation.

Mr Grech said he was told by Treasury officials that Treasury's IT back-up systems had failed on February 20, the day after he dated the faked email. He said he was told that if Charlton had actually sent an email on February 20 and Mr Grech had deleted it, Treasury would be unable to recover it.

Mr Grech said he never intended the email to be used in the way that it was, nor did he give the Coalition permission to dis-

close its contents to anyone. But three days after his meeting, he received a call from Ford Credit managing director Greg Cohen.

"(He) was concerned because a senior journalist had been calling asking questions about John Grant," Mr Grech said.

Mr Grech said he phoned Mr Turnbull that evening.

"It was agreed that it would be a good idea if I spoke to the journalist off the record and on an in-confidence basis setting out the story as I understood it," he said.

He said he spoke to the journalist the next day. Mr Grech said it was not clear to him who told "other parties" about the email but that it was done without his permission.

### HOW THE SCANDAL UNFOLDED

■ **Mid-2007**  
Ipswich car dealer John Grant lends his neighbour, Kevin Rudd, a Mazda ute to use as a mobile electorate office. The then opposition leader declares this on his pecuniary interest register.

■ **December 5, 2008**  
The Rudd government announces it will establish a fund, known as OzCar, with the support of the major banks, to provide finance to car dealers struggling with the global financial crisis to buy cars for their showrooms. The move comes after two big financiers, GE Finance and GMAC, say they will quit the market. At the time, Wayne Swan says the fund will be worth about \$2 billion, but it is now likely to be worth about \$450 million.

■ **January 2**  
OzCar legally established.



Raid: AFP officers leave Grech's home in June

■ **February 19**  
An email, later determined to be a fake, was supposedly sent from the Prime Minister's

adviser Andrew Charlton to Treasury official Godwin Grech purportedly asking for Grant to be given help.

■ **February 20-27**  
Swan is kept in the loop on communications between Grant and Treasury officials about access to car financing. During this time, Treasury staff raise Grant's case with Ford Credit at a meeting where Ford Credit was seeking a \$550m bailout.

■ **June 4**  
Grech tells a Senate estimates hearing that Rudd's office and Swan's office had referred car dealers to OzCar, but says he received similar approaches from the opposition. This prompts Malcolm Turnbull to attack Rudd during question time. Rudd denies he or his office made representations on behalf of Grant. Swan says Grant made representations to his office, and that he was referred to OzCar "just like everybody else".

■ **June 15**  
Turnbull asks Rudd in question time whether the Prime Minister stood by his denial of helping Grant to get access to OzCar.

■ **June 17**  
Turnbull warns Charlton at the Press Club Midwinter Ball not to lie for his boss.

■ **June 19**  
Grech tells a Senate hearing he thinks the Prime Minister's office may have sent him an email asking him to help Grant, but says his recollection "may be totally false". Turnbull says that if Rudd and Swan cannot justify their actions they must resign. Rudd orders an Auditor-General's inquiry. Initial search for email turns up nothing.

■ **June 22**  
Federal police raid Grech's house and interview him. They reveal the email was a fake.

## 'Good public servant' feels betrayed

GODWIN Grech, a workaholic public servant who cares deeply about policy and has few interests outside his job, never wanted to be the centre of attention.

His nervous public appearance before a Senate inquiry and his obvious ill-health are testimony to his discomfort at being in the forefront of politics.

Mr Grech, presently a self-admitted patient in a Canberra hospital psychiatric ward who has several debilitating illnesses, is again about to be at the centre of a political drama that once had the potential to end the political careers of Kevin Rudd, Wayne Swan or Malcolm Turnbull.

It is obvious now that the findings of the Auditor-General's report into the handling of the government's OzCar finance scheme, and the allegations of improper conduct or political favours, are not going to end the careers of either the Prime Minister or the Treasurer.



DENNIS SHANAHAN  
POLITICAL EDITOR

It is equally obvious Mr Grech's career is already effectively over. His fate was sealed three months ago when he became involved with the Opposition Leader's pursuit of Mr Rudd and Mr Swan over the OzCar affair.

His health has deteriorated, Liberal MPs are being told not to say anything supportive about him, he is being accused of being a Liberal mole, the Liberal leadership has cut off contact and he has been advised by colleagues to "go and live in another country".

But how did someone whom John Howard described yesterday as a "good, reliable and highly

professional public servant with a strong intellect and commitment to public service", and whom Peter Costello described as a "fine Treasury officer", end up a broken man at the end of his public career?

Mr Howard told *The Australian*: "Godwin Grech always tried to understand what the government wanted and then advised the best way of doing it — even if you were straying from pure, optimum policy."

Others who have worked with Mr Grech paint a picture of a public servant who could work up to 85 hours a week, was committed to good policy — particularly in the car industry — and who would put his work commitments before his health.

It is this commitment to getting the job done that is central to Mr Grech's defence for making an "error of judgment" in creating a record of a fake email that he believed mirrored one he had

received, but which he knows has not been found.

Mr Grech believes that he is responsible for getting the OzCar finance legislation passed in the Senate in time to save 400 car dealerships and the jobs of 2000 car workers.

But he also believes he has been betrayed by someone who breached his faith in releasing the details within that "created" email, which he says he never authorised anyone to report or release in any form.

Mr Grech admits he has made some errors of judgment. He admits he created an email that was not the "original", that he cannot be 100 per cent sure about the original, and says he secretly met Mr Turnbull only to try to get the bill passed in time to save jobs in the car industry.

They were all his mistakes. But what has effectively cost him his job was the publication of those mistakes.

## Joyce targets Labor on 'ridiculous' ETS

Imre Salusinszky  
NSW political reporter

BUSINESS groups and the Coalition have leapt on evidence of internal Labor unease over the potential of Kevin Rudd's emissions trading scheme to wipe out jobs in resources and energy.

Nationals Senate leader Barnaby Joyce said yesterday he was not surprised at dissent expressed by Queensland Premier Anna Bligh and NSW Treasurer Eric Roozendaal over the emissions scheme, because it would be "a job-destroying employment termination scheme".

The *Australian* revealed yesterday that Mr Roozendaal had written to federal Treasurer Wayne Swan in February to warn that the ETS could lead to "extreme losses" in the electricity and coal industries.

Ms Bligh made similar comments in a letter last month to Assistant Climate Change Minister Greg Combet.

"Both these people were at the Labor Party conference just a couple of days ago sitting alongside the culprits trying to introduce this ridiculous scheme," Senator Joyce said.

"Why was it that neither Mr Roozendaal nor Ms Bligh thought it necessary to bring this up at the premier Labor Party event designed to ventilate issues of public concern, but both are willing to express their concerns to the nation's newspapers?"

"It is completely irresponsible, in the middle of a global financial crisis, to be going forward with a scheme which will cut a swath of economic devastation through our nation."

## RBA set to keep rates steady

David Uren  
Economics correspondent

THE Reserve Bank is set to hold its official interest rate at the record low of 3 per cent for a fifth month, with the latest information before the bank's board meeting in Sydney today showing that business conditions remain weak.

A survey of manufacturers shows that a majority of firms are still suffering falling activity while the number of new jobs being advertised both in print and on the internet dropped further in July.

But both the manufacturing and the job advertisement surveys show that the economy is steadying after the shock delivered by the financial crisis caused by the collapse of Lehman Brothers bank last September.

"The latest job advertisement figures show signs of stabilisation, although they are still down by half over the year and remain consistent with recession," ANZ's head of Australian economics, Warren Hogan, said yesterday.

He said the Reserve Bank would be cautious about raising interest rates while the economy remained vulnerable to weaker exports or renewed weakness in the world economy.

The chief executive of the Australian Industry Group, Heather Ridout, said there had been some improvement in manufacturing, with the level of forward orders the best in 14 months. But she said it was not certain that this would be sustained once the government's stimulus spending program had been completed.

"Manufacturing performance in Australia has been deeply influenced by fiscal and monetary stimulus and inventory run-downs," Mrs Ridout said. "Looking beyond the monthly figures, the big question is whether these improvements will be sustained."

The Performance of Manufacturing Index rose by 6.1 points in July to 44.5 points. This is still below the 50-point mark that shows equal numbers of firms expanding and contracting, and it also shows that Australian manufacturing is weaker than in many other nations.

Identical surveys in the US, Japan and Britain are all stronger than Australia's, while the Chinese survey, released yesterday, reached 53.5 points, its fifth month above 50 points.

Macquarie Bank interest strategist Rory Robertson said that while the Reserve Bank could keep rates at the current level well into next year, it no longer expected any further rate cuts. Mr Robertson said this was likely to be reflected in RBA governor Glenn Stevens' comment following today's meeting.

Following the last four monthly board meetings, Mr Stevens has noted that there remains scope for further rate reductions if needed.

However, Mr Robertson said the Reserve Bank was uncomfortable keeping interest rates at the current extremely low level and would raise them before the end of the year, if the level of full-time employment and the number of jobless stabilised.

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### Important Notice.

Effective from Tuesday, 4 August 2009, the following fixed interest rates apply to **BankSA residential home loans**:

<b>Great Start Home Loan</b> 1 Year Fixed Rate.....	5.29% p.a.
<b>Standard Home Loan/Portfolio Loan</b>	
1 Year Fixed Rate .....	5.54% p.a.
2 Year Fixed Rate .....	6.34% p.a.
3 Year Fixed Rate .....	6.94% p.a.
4 Year Fixed Rate .....	7.59% p.a.
5 Year Fixed Rate .....	7.59% p.a.
<b>Low Doc Home Loan/Low Doc Portfolio Loan</b>	
1 Year Fixed Rate .....	5.54% p.a.
3 Year Fixed Rate .....	6.94% p.a.
5 Year Fixed Rate .....	7.59% p.a.
<b>Super Fund Home Loan</b>	
1 Year Fixed Rate .....	5.94% p.a.
2 Year Fixed Rate .....	6.74% p.a.
3 Year Fixed Rate .....	7.34% p.a.
4 Year Fixed Rate .....	7.99% p.a.
5 Year Fixed Rate .....	7.99% p.a.



The fixed rates shown above apply to new loans that are approved and settle, and fixed interest rate periods that commence, on or after 4 August 2009. The Bank will apply the fixed rate that is available at the loan settlement date or the date the fixed rate period commences, unless the customer locks a lower fixed rate in on the loan using our Rate Lock feature. At the end of the fixed rate period the interest rate will convert to the applicable home loan rate. The rates quoted above are subject to change. Fees and charges are payable. Terms & conditions apply, full details of which are available on request. All loans are subject to the Bank's normal lending criteria. BankSA - A Division of St. George Bank Limited ABN 92 055 513 070 AFS Licence 240997. 1C1669 08/09

## Take a cold shower on river, Rann told

Pia Akerman

POLITICAL tensions between Queensland and South Australia over water have dramatically reignited, after Queensland brushed off calls from Mike Rann to rule out taking more water from Cooper Creek.

The Queensland government is considering activating dormant water licences worth 10,000 megalitres, threatening the water supply to South Australian graziers and outback communities such as Innamincka, on the edge of the Strzelecki Desert.

Mr Rann yesterday warned

Queensland not to proceed with the plan, with local tempers already running hot over the state of the Murray River.

"We've seen the damage over-extraction by the upstream states has done to the River Murray," the South Australian Premier said. "I would urge the Queensland Premier to act consistently so as not to deprive the environment of important water ... to act in the interests of the whole system."

Queensland Natural Resources, Mines and Energy Minister Stephen Robertson quickly hit back, saying Mr Rann should take a "cold shower".

"I really don't know what has excited the South Australian Premier," he told *The Australian*.

Mr Rann has asked Queensland Premier Anna Bligh to establish an independent scientific review of the possible extraction, but Mr Robertson said such a review had already been done.

He would not be specific about timing for a final decision on the licences, but said it would be at least "a couple of months" and he would not be swayed by external pressure.

He rejected Mr Rann's comparison of the Cooper Creek situation to that of the struggling Murray

River: "Levels of extraction out of the Cooper are very very low."

John Osborne, who has lived at Innamincka near the SA-Queensland border for more than 20 years, said the region would be ruined if the extra water left the system. "If we don't have water, that's it, we're buggered," Mr Osborne said. "We don't want to see any water taken out, we want to see water put in so that we do have a flow all the time or most of the time."

"The cattlemen particularly in those low flood areas, they sweat on every inch of rise they can get in the river."

Additional reporting:  
Pia Akerman, Paige Taylor  
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