

# Inside Canberra

Rob Chalmers - bringing you the latest business intelligence from inside Federal Government

Vol. 63, No. 694

## From the Gallery

July 9th, 2010

- The Australian economy turned in another dazzling performance in June: unemployment down to 5.1% and, in trend terms, some 300,000 jobs created in the year, most of them full time. Tony Abbott reaction to this is to say that Finance Minister Lindsay Tanner won't be around to deal with debt.

- We again emphasise that government debt, among the lowest of developed economies, is no problem at a mere 10% of GDP. The debt comes from the \$42 billion economic stimulus that prevented Australia from falling into a serious recession. The Opposition has consistently refused to recognise this.

- Abbott's reaction to job figures underlines he has nothing to offer in the area of jobs and the economy, the issue which could dominate the coming election – apart from Abbott himself, who will be the stand out issue.

- The Opposition Leader has never been in the economic portfolios of Treasury or Finance and it shows. He may get lucky. Commodity prices are sky high and there is now genuine concern that inflation is already above the Reserve Bank's target zone. There could be an interest rate rise in the middle of an election campaign. This happened to John Howard in 2007, and the Reserve would not hesitate to do it again, rather than let inflation get away from it.

**Rob Chalmers, Editor**  
**Parliament House, Canberra**  
Tel: +61 (0)2 6273 1600  
R.D.Chalmers7@bigpond.com

## Gillard clearing the decks for one issue election

Julia Gillard has fixed the mining tax problem and hopes to put to bed, at least until after the election, asylum seekers and the emission trading system. She wants only one election issue: do voters want her or Tony Abbott as PM for the next three years? This is a wise approach, but difficult to achieve. If she succeeds, Labor will win the election (*see From the Gallery*). ALP polling in coming days and public polling at the weekend and next week will decide when the PM announces an election.

## Regional assessment centre plan for asylum seekers

The embryonic plan for East Timor as a regional asylum seekers assessment centre may not work and perhaps it might be Papua New Guinea. Gillard said overnight, "Papua New Guinea, I believe, is a signatory to the Refugee Convention. But obviously I am now going to build on the set of conversations (with East Timor) that we've seen happen this week." She received a boost from Dili. Although Abbott says she blundered approaching President Jose Ramos-Horta, Prime Minister Xanana Gusmao said yesterday the President will take a lead role in negotiations. He added that East Timor will approach the issue with an open mind. East Timor has no reason to be thankful to Australia. True, John Howard acted boldly by putting the Army into the country when pro-Indonesian Timorese militia attempted to disrupt the move to independence. They killed 1,400 Timorese and forcibly pushed 300,000 into Indonesian West Timor.

## Australia's poor record of assistance to East Timor

Australia's record since has been appalling. We greedily attempted to grab much of the off-shore gas fields near East Timor, by arguing about the reach of our continental shelf. Woodside refused pleas for an on-shore gas processing facility to be sited in East Timor, and instead opted for an off-shore facility. So it's likely the outcome of the regional processing centre initiative may not be clear until after the election. In any case, as soon as Gillard determines an election date, convention demands that all government programs and activities come to a halt, other than the ordinary business of government.

## Poll favours Gillard on asylum seekers

On polling day, Gillard will have given the appearance of acting on asylum seekers. Interestingly, a poll in *The Age* – immediately after her announcement of the new scheme – found 60% believed the Gillard Government had the best policy on asylum seekers, and 40% believed Abbott was superior (out of 6,000 respondents). The PM is acting as cautiously as Kevin Rudd. She has put off an emission trading scheme until at least 2013, and will not have an interim carbon tax. She says the Government will review global progress at the end of 2012, before deciding whether to proceed with the trading scheme. "The pricing of carbon I think is best done through a market-based mechanism, that is the carbon pollution reduction scheme, and the 2012 timeframe stands," she told ABC TV's *Lateline*. Unlike Gillard, Tony Abbott goes into the election with something – his direct action plan – even though it has little support among environmentalists. The PM could have imposed a carbon tax

until (if she wins the election) she produces her own version of Rudd's Carbon Pollution Reduction Scheme. This could be later than 2013 and even after the next election, presuming she wins two on the trot. Ross Garnaut recommended an interim carbon tax before the introduction of an ETS. It could be brought in at a very low rate and gradually ratcheted up to avoid any disruption to the economy. There should be no compensation. All the polls say that a big majority of voters want action on climate change, and are willing to pay for it.

The decision by two senior ministers to leave Cabinet after the election, has no significance for the election itself. Lindsay Tanner will retire from politics and John Faulkner (*see below – Faulkner and Afghanistan*) will not be in the ministry, but will remain on the backbench in the Senate. Some in the media are attempting to beat up these two departures as representing a revolt by senior ministers against Gillard. Nothing could be further from the truth. Tanner will not contest his seat of Melbourne, and this gives the Greens a real chance of taking the seat. This would be a good thing. The Greens are an important third force in Australian politics, and are expected to have the balance of power in the Senate after the election. The preferential system of voting has, until now, prevented the party from having any representation in the lower house. If four or five Greens join the three Independents, this would make for a lively House of Reps.

The 2010/11 Budget forecast a return to surplus by 2012/13, and there has been much talk about it going into surplus a year earlier. Wayne Swan should be cautious about this target, as things have changed since the Budget was formulated. In Thursday's *Fin Market Wrap*, Glenn Mumford writes, "With the pace of global recovery showing real signs of slowing, the temptation for authorities to again lend a hand will be growing by the day". On the same page, a Bloomberg report states, "Expectations for a double-dip recession are 'over-pessimistic' and profits growth is likely to help Asian stocks rebound in the second half of this year, Credit Suisse Group's private banking unit says". In short, there is no certainty about how the economy is going. Our June jobs growth was outstanding, and indicated an optimistic economy. That's good, but it might not last. The American economy is dreary. June employment figures were disappointing – a rate of 9.5%, down only 0.2%. The US economy is growing at an anaemic 2.7%. Despite the widely expected slowdown in China, Premier Wen Jiabao insists that China will continue its economic policies, but increase their flexibility to "solve current, significant and urgent problems" while "laying foundations for stable and relatively fast economic growth of 2011 and in the longer term".

The China situation is clouded. Europe is in trouble and banks are in turmoil. There is no sign of the Greece problem improving, and there is concern about Spanish banks losing massively in Portugal. Spain itself is viewed as risky, as is Italy. The voters, most of whom don't even think about Budget surpluses, are not demanding austerity measures. Nor is the market going to mark down Australia, which – as Swan correctly points out – has an economy that is the envy of the world. Nor should attacks by economic illiterate, Tony Abbott, on any economic issues be feared by Julia Gillard. Westpac chief economist, Bill Evans – on *ABC Breakfast* – warned against austerity measures. He was against the UK budget cuts, and said the US economy had stalled because the private sector was still not performing. He believes Obama will have to give additional stimulus to the economy. Evans also deplored wage cuts in California. California Governor, Arnold Schwarzenegger, has ordered some 200,000 state workers to be paid the minimum wage because no budget has been passed.

Maxine McKew believes she owes her loyalty not only to the ALP, but also to Kevin Rudd. Like a number of ill-informed or ill-disposed commentators, she claims "brutish" factional war lords destroyed Kevin Rudd. It follows that Gillard was the beneficiary of the brutal slaying of Rudd. This doesn't bother the MP for Bennelong. McKew promises her full support of Gillard and says,

## Faulkner, Tanner leaves Cabinet

## No need to rush to surplus

## Warnings about austerity

## On the Rudd departure

## Jordan enrages ALP boss

if Labor is re-elected, she was “as ambitious as anyone”. McKew added: “I know I could play a senior role in a re-elected Labor Government.” We will see about that. Rudd’s downfall was all his own work. Someone observed that Rudd’s Faction was Newspoll, and that was just fine while he was riding high. But apart from those supporters in Caucus like McKew (who could all fit into a phone box), no-one liked him. The control freak, who insisted on making all decisions himself, treated Caucus with contempt and ignored his Cabinet.

Peter Hartcher (*Sydney Morning Herald*) reported on an extraordinary display of arrogance by Rudd’s 31-year-old chief-of-staff, Alistair Jordan, shortly before the downfall of Rudd. ALP national secretary, Karl Bitar, visited Rudd’s office to brief him on private polling showing a desperate situation in Queensland’s marginal seats. Jordan refused Bitar admission to Rudd’s office and instructed him to lock the polling away, and not show it to anybody. Bitar responded the polling didn’t belong to Rudd, but the ALP, and departed. It’s now a matter of record that instead of ringing around himself or visiting Labor MPs, Rudd despatched Jordan to sound out his Caucus support. But Rudd did go to Gillard’s office to confront her about her loyalty. This led to a further meeting between Gillard and Rudd (in Rudd’s office for over three hours), and Rudd’s fate was sealed. “Factional bosses” didn’t order Caucus to dump Rudd. We have made the point before that the supreme priority of MPs is to keep their job in the House or Senate.

## Caucus just didn’t want Rudd

Rudd announced to the press that he would call a special meeting of Caucus next day, and would contest the leadership. In the end it was no contest. The numbers were overwhelmingly against Rudd, and Gillard was the sole contender. MPs viewed Gillard as a safer bet to win the election than Rudd. It was as simple as that. Rudd went to a lot of trouble to milk sympathy for himself from voters. He invited TV cameras to witness his departure from The Lodge. The *ABC* later reported that Vilma Ward – president of the Bulimba Senior Citizens Club in Rudd’s electorate of Griffith – inadvertently let the media know there was nothing spontaneous about Rudd’s welcome home party. He had arranged it himself. She was captured on camera telling a slightly uncomfortable Rudd: “I’m going to kill you. It was at half past five last night that I knew about this”. She then explained to journalists that Rudd’s electoral office had phoned her the night before, asking her to organise an event.

## Rudd not trusted

Our subscribers would not be surprised at Rudd’s fall. On 13 Nov 2009 we stated: “Watch out if Rudd’s popularity ever plummets. Unlike the Liberal partyroom, Caucus has adequate replacements for its leader – Gillard, Swan and Tanner, could all do the job”. Gillard, if she wins the election, should not put Rudd into the Cabinet. No other member of Cabinet would welcome him, for good reason: they would not trust him to give loyalty to Gillard. Whenever the election is held, Rudd’s past or future will not be an issue, outside of Queensland. Labor voters are not going to vote for Tony Abbott because Rudd has fallen. In Queensland, Labor voters may vote Green as a protest, but their preferences will flow to Labor. At least Queensland has the deputy PM and Treasurer Wayne Swan in the government. The key figures in an Abbott government would be Abbott PM (NSW), and Joe Hockey Treasurer (NSW). The deputy PM might come from the Nationals (if the Libs agree), and that would mean Warren Truss from Qld – not the Nats star Senator Barnaby Joyce, who is in the wrong house.

## Faulkner and Afghanistan

There is no more decent member of the Federal Parliament than John Faulkner. He puts aside the Defence portfolio with considerable relief at the next election. We always thought that he was out of place as Defence Minister, and the hopeless situation in Afghanistan must have been of deep concern to him, although he insists, this was not the reason for his decision to leave the portfolio. *Inside Canberra* has long opposed the war. Australian soldiers are fighting and dying to defend a corrupt and hated Hamid Karzai government, which is hand in glove with war lords, the opium industry and elements of the Taliban. Gillard and (if she wins the election) her next Defence

## Lessons of Vietnam

Minister, would do well to read the searching examination of America's entanglement in Vietnam, *Lessons in Disaster: McGeorge Bundy and the Path to War in Vietnam*, by Political Scientist Gordon Goldstein. If the book is too time consuming, they could at least read Paddy Gourley's feature on the book in the July *Canberra Times - Public Sector Informant*. Bundy, a former US national security adviser – years after the Vietnam war – said there had been an inability by US advisers to grasp “how the enemy could take it, and come back for more”.

This is pertinent to the Afghan war now dragging into its tenth year. Points of advice that Goldstein gives include: Presidents and Prime Ministers should not allow themselves to become captive of advisers, and should be especially cautious of boldly confident advice from military sources. Retrospectively, a point of interest is that - had John Kennedy not been assassinated - according to Bundy, there would not have been a war in Vietnam. Kennedy rejected advice from former President Dwight Eisenhower that if Laos was taken over by communist forces, the “domino theory” would click in and the whole of south-east Asia, including Indonesia, would fall to the theory. Bundy said Kennedy's rejection of the advice was “an operational rejection of the domino theory”. When later pressed by US Secretary of State, Robert McNamara, Bundy and military chiefs – to send combat troops to Vietnam – Kennedy again refused, saying this would, in effect “have Americanised the war”. Kennedy insisted, “The war can be won only so long as it is theirs (the Vietnamese). If we were to convert it into a white man's war, we would lose, as the French had lost a decade earlier”.

## Returning Afghans to die

The Gillard Government claims Afghanistan is now safe enough receive back Afghan refugees. Mohommad Lashkari, an Afghan living in Shepparton (Victoria) is horrified (*Canberra Times*, 7 July). He claims, “The Taliban will kill anybody who has been to Australia. It is just their attitude. They will also try to get money out of you and maybe kidnap your little sister, chop her head off and send it back to you”. Your editor recently viewed a *BBC* TV special on a woman's jail in Afghanistan. Women are treated like possessions in that country, as became clear from the stories of the inmates. One young woman was in jail simply because her husband, without providing any evidence, accused her of adultery. Nothing our troops are doing in this country will, or can, change this unspeakable treatment of women.

## Super fund trustees

The Gillard government will not accept recommendations of the Cooper review changing rules for trustees of super funds. An Abbott government might. Cooper recommends a third of fund boards be independent directors, and trustees should not be allowed to serve on the board of more than one fund. This would put superannuation icon Bernie Fraser off several boards. As the face of industry funds, Fraser features in TV ads without a fee. Both the bosses and union leaders are opposed to the Cooper trustee recommendations, and so is *Inside Canberra*. At present, industry funds generally comprise half their trustees from employers and half from unions. On many funds, union trustees receive \$50,000 annually, a pittance compared to trustees on retail funds. Not only that, in many cases the union trustees are required to pass on their fee to their union. Present rules worked well over decades. During the bitter 1998 waterfront dispute, Chris Corrigan of Patrick's Stevedores, served as a trustee on the waterfront super fund along with Maritime Union of Australia boss, Paddy Crumlin.

## Note to readers

Last week, readers might have been puzzled by the appearance of ‘bulls\*\*\*\*’ in our text. We weren't shrinking from expressing this old Anglo Saxon exclamation in full. But email content filters now don't allow a number of subscribers to receive transmissions using such terms. Oddly, ‘crap’ is let through.

‘Inside Canberra’ - bringing you the latest business intelligence from inside Federal Government - is published every Friday, and is available by email subscription for A\$375 (inc. GST) for 46 issues each year.

The Newsletter is published by Business Communications Group. Correspondence should be addressed to: Rob Chalmers, Room S89, Press Gallery, Parliament House, Canberra ACT 2600. Tel: +61 (0)2 6273 1600/Fax +61 (0)2 6260 3977

Reproduction of this newsletter in whole or in part is not permitted without first concluding a written electronic copyright permission from the publishers. Every effort has been made to ensure this newsletter is factual, and free from errors or omission. However, the Publishers, the Editor, and their respective employees or agents, shall not accept responsibility for injuries, loss or damage occasioned to any person acting or refraining from action as a result of material in this newsletter, whether or not such injury, loss or damage is in any way due to any negligent act or omission, breach of duty or default on the part of the Publishers, the Editor, or their respective employees or agents.