

Inside Canberra

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

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From the Gallery

July 16th, 2010

- Kevin Rudd may not be given any job by Julia Gillard if she is Prime Minister after the election. We don't believe he was even in line for a senior Cabinet job, but may have been appointed Ambassador to Beijing as we explain (see *What to do with Kevin07*).

- The Gillard camp is furious at what they believe was a deliberate leak by either Rudd, or someone with his knowledge, of an allegation that Gillard reneged on a deal to allow Rudd time to improve Labor's poll standing.

- This is regarded by many in Caucus as an act of malicious Rudd treachery in trying to bring about the defeat of Labor by having his alleged offer to Gillard passed on to Laurie Oakes. All Labor MPs support Gillard now.

- *The Courier Mail* has revealed Tony Abbott unsuccessfully attempted to save disgraced Lib MP Michael Johnson from expulsion from the party and promised to "fix" legal issues that led to his disendorsement. We don't believe the allegations against Abbott, or Gillard's reneging on a deal with Rudd, will impact at all on the election campaign. Most voters are not interested in the internal machinations of political parties, only what pollies can do to help them get through the daily struggle with life.

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Abbott can't win election on current polling

Based on this week's polling, Tony Abbott can't win the election. He has too much ground to make up too soon. The primary vote in this week's Nielsen poll, shows that the left of the political spectrum – Labor and the Greens – have a combined vote of 52% with the right of the spectrum, the Coalition 42%. With an election soon – most likely 21, 28 August, or 4 Sept, Abbott should be well in front by now to have a chance of winning. At this stage, leading up to Rudd's victory on 24 November 2007, the ALP led two-party preferred (2PP) 58% to 42%. This week, Nielsen and Galaxy agree that the Coalition trail the ALP 48% to 52%. If repeated at the election, this swing against the government of 0.7% in the 2007 election would produce a House of Representatives of Labor 81 seats, Coalition 66 and Independents 3.

Big swing required to oust Labor

Gillard has an impressive 56%-35% lead over Abbott as 'Preferred PM'. For Labor to lose its absolute majority, a swing of 1.8% is required, giving the government only 75 seats, Coalition 72 and Independents 3. The three Independents that will be in the House after the election are of ex-National Party persuasion, and could be expected to support the Coalition to form a government. All this is based on an even outcome across all electorates, which never happens. Some electorates not seen as gains by the Government will be won, and some looking safe will fall to the Coalition. The two-party preferred is the best guide.

Punters go for ALP win

This distance out from the 2007 election, Rudd led Howard 50% to 37%. According to Nielsen, Ms Gillard has a net approval ('Satisfied', 'Dissatisfied') of 22%, while Abbott's net approval is minus 8%. Most people – 64%, up 11 points – expect a Labor election win. The punters are good judges of elections. This week, a rush of money for Labor made Sportsbet shorten its odds for the overall outcome to just \$1.22 for a \$1 bet Labor, while the Coalition has drifted out to \$4. Still, experienced punters follow the old adage, 'odds-on, look on': don't back an odds-on favourite, but don't back another runner to beat the favourite. Labor has strengthened its position as best party to deal with health since March – up 4 points to 57%, to the Coalition's 33% (down 4). But on education, Labor is down 3 points, although it holds a strong 56%-36% lead over the Coalition. Labor has fallen 3 points as the best party to handle the economy, trailing the Coalition 39%-53%. It is well ahead on the environment (51%-35%) and on industrial relations (58%-34%).

Abbott's boat people scare

Voters are evenly divided on Ms Gillard's proposal for a regional processing centre in East Timor, with the Coalition holding only a narrow lead (44%-42%) over Labor as best party for handling asylum seeker policy. Whatever the outcome of the East Timor plan, Abbott's prospects of winning an election on asylum seekers is zero. The issue was white hot when Howard won the November 2001 election. The Tamapa incident in August was followed by the 9/11 bombing of the World Trade Centre in

**MYEFO
mystery
trotted out
again**

New York. Howard was able to work on the fears of Australians that Muslim bombers would come to Australia. All that has passed. There is no fear now of a terror attack – the last being the Hilton bombing in February 1978. True, the xenophobia in the Australian psyche remains and Abbott is vigorously working on it. But it's not the vote changer of the Tampa incident.

Treasurer Wayne Swan has come up with a set of figures showing that the Budget will be zillions better in surplus soon, and in an interview with Fran Kelly uttered the awful acronym MYEFO (Mid-Year Economic Forecast). Ms Kelly's breakfast audience is no doubt far more switched on to this stuff than those who have their cornflakes laced with the commercial radio brekkie show inanities. But we doubt that more than 10% of the Radio Nationals' audience would know what MYEFO means, and why should they? Ministers should try the novel approach of communicating with audiences in a language voters comprehend. Polls continue to show that voters, mysteriously, adhere to their belief that the Coalition is better at managing the economy than Labor Governments.

**Public debt
debate
hopeless**

Rudd's greatest achievement in office was to comprehend that the government had to act fast, with a very big stimulus package of \$42 billion to prevent a disastrous decline in employment. One could argue with aspects of the stimulus, but the thrust was absolutely correct. The Opposition effectively countered this success with an opportunistic and utterly unjustifiable debt scare that worked a treat. Many in the press gallery seemed unable to grasp the weakness of the Opposition's case and are partly responsible for its undeserved success. Basically, Abbott succeeded because of the failure of the government to go on the offensive earlier – and with sufficient vigour – to counter the Coalition's campaign and explain its falsity. When it did try, it was too late. Government debt (as opposed to household mortgages), in the minds of most voters was, and still is, viewed with suspicion, if not horror.

**Gillard
avoids
handouts**

Voters are fixated on the cost of living, interest rates and above all, jobs. The connection between the latter and government debt has not been sold by the Rudd or Gillard governments. At the Press Club (in an impressive speech) the Prime Minister spent some time deriding the failure of Abbott to understand that debt was better than unemployment, but this won't change the public's attitude. She wisely decided against announcing any new handouts and rather, adopted the role of a fearless protector of the public purse, repeating the figures on the Budget surplus already released by Swan. Most voters couldn't care less about whether the Budget is in deficit or surplus and (at the risk of appearing condescending) many can't even comprehend what the terms mean. Nor do they need to know. Whether budgets are in surplus or deficit is not an indication of how the nation is progressing. Gillard was intent on not giving Abbott any opportunity to attack new spending.

**BER not
properly
defended**

Gillard admitted at the Press Club that, in hindsight, more attention could have been given to the commercial aspects of Building the Education Revolution (BER). She admitted her view of the scheme when it was urgently needed as part of the economic stimulus package was different to how she regarded it now. The PM said BER would have benefited from some hardheaded business supervision. Indeed it may have. Neither Kevin Rudd as Prime Minister, nor Gillard as Education Minister, impressed in their defence of the \$16 billion program – either from Opposition's attacks on its utility, or its cost. Yet Bill Orgill, the head of the taskforce investigating the program, says it appears to have been a success. Orgill, former UBS Investment Bank Australasia CEO, told a NSW parliamentary committee that less than one per cent of schools have complained about the program and many are thrilled with the results. "The program overall has been successful at delivering the stimulus objectives (of the economy)," he said.

**Orgill says
scheme a
success**

Orgill continued, "In many cases it has clearly been successful in delivering value for money." Catholic schools told the inquiry that NSW could have saved more than \$1 billion on the program. The Catholic Church says the education department could have saved more than \$1 billion

Green power must be recognised

using its system. Maybe, but William Walsh – supervisor of the roll out in NSW Catholic schools – told the inquiry it has been flexible, there are no blow-outs in costs and school communities have been kept involved. “Schools and parents echo that positive appraisal,” he said. “We have recorded our gratitude to the Australian Government on many occasions for the program.” Orgill says that across Australia, there have been some 200 complaints, mostly from public schools, and nearly two-thirds came from NSW. This is a low level of complaints flowing from a massive program.

If she wins the election, Gillard would be wise to reassess Labor’s determination to scorn the Greens and to deal with Independents and/or the Opposition when trying to get contentious legislation through the Senate. The government will not win sufficient primary votes to go into government. Green preferences are essential. Whatever party is in government, nothing will pass the Senate unless supported by the Greens. Greens’ leader, Senator Bob Brown, told Kerry O’Brien this week that the Greens, if in the balance of power, will propose occasional informal meetings between Green senators and the Cabinet. And why not?

What to do with Kevin07

Dealing with the former Prime Minister after an election victory will be tricky for Julia Gillard. If she has a thin majority, Rudd will be in Cabinet. On the other hand, if Gillard is given a decent majority by voters, as we expect, he will not be in Cabinet and she will have to give him a worthwhile posting. The PM realises there is a reservoir of sympathy, particularly in Queensland, for Rudd and she could do no better than offer him the post of Ambassador to Beijing. Beijing and Washington are the two senior Australian missions. A posting to Beijing will open up the prospect for Rudd of a satisfying future in an international role. On departing Beijing, with the support of friends such as Barack Obama, Rudd would have a position of senior standing in the international field open to him.

NZ examples for Rudd

He should look at other examples of post political lives. For instance, NZ Labour’s Helen Clark was the tiny democracy’s second female Prime Minister, and in the 1999 election defeated the first female PM, Jenny Shipley. When she left politics, Clark became the Administrator of the UN Development program. Mike Moore, another NZ Labour PM, was later the Director-General of the World Trade Organisation from 1999 to 2002. Surely, the outlook for a former Australian PM should be bright. To say the least, Rudd’s meeting on Thursday (our time) with UN Secretary-General Ban Ki-moon in New York is a pointer to the future. The timing for Rudd’s exit from politics is tricky. If he accepts Beijing, the post would not be available until Christmas when the current Australian Ambassador, Dr Geoff Raby, ends his term. Gillard would not wish to appoint Rudd immediately and precipitate an unwanted by-election close to the general election.

Laurie Oakes’ question

The Beijing post could be run satisfactorily both from Australia’s and China’s point of view, by an experienced *Charge-de-Affaire*. This would allow a by-election in Rudd’s seat of Griffith some time in March or April, after Rudd’s appointment as ambassador. At the Press Club on Thursday, Gillard was asked by Laurie Oakes whether – at their meeting on the night of 23 June – Rudd said he was planning an October election, but if the polls didn’t improve he would stand aside. Gillard allegedly agreed, but reneged, when told that she had the Caucus numbers, and challenged. Gillard replied to Oakes she would never divulge what happened at the meeting. Oakes’ question could only have come from the Rudd camp. The only other person in the room on that night was Defence Minister John Faulkner and he certainly won’t reveal a jot. What happened is most unlikely to be cleared up until after the election (*see From the Gallery*).

Mr Fixit Combet on the rise

There has been much speculation around Parliament House with the departure of two heavyweights at the coming the election: Finance Minister, Lindsay Tanner for family duties; and Defence Minister, John Faulkner (at his own behest) to the backbench. Greg Combet, now not in the Cabinet as a junior minister, is widely regarded as the go-to man, the Mr Fixit for untangling

New Defence White Paper

China no military threat

Morrison lectures irk

knotty problems. He is already clothed with two responsibilities of no apparent connection, Minister for Defence Materiel & Science and Minister Assisting the Minister for Climate Change & Energy Efficiency. Should Gillard win the election, Combet will be in Cabinet probably as Defence Minister, or Climate Change Minister. If he is looking for long term advancement, Combet should take Climate Change. Penny Wong has hardly been a roaring success in this job, although no doubt hindered by Kevin Rudd's own small ambitions in this daunting area. Climate change will be THE big issue for decades to come.

Combet could certainly handle the Defence job, but the Defence portfolio is not a path to The Lodge, if that is what the former ACTU Secretary has in mind. If appointed to Defence, he should impress on Gillard the need for a new Defence White Paper. We reported (17 April 2009) the hawks in Defence and the military were at odds with the Office of National Assessments (ONA) and the Defence Intelligence Organisation (DIO). The intelligence organisations disagreed with the hawks, who saw the rise of China heralding a new cold war – this time between Washington and Beijing – and believe billions are needed to support the US in the coming conflict (or conflict anywhere else). The brass, supported by Rudd and vitally, the hawkish Deputy Secretary Mike Pezzullo, headed the team preparing the white paper. [Since the white paper, Pezzullo has departed Defence and is Chief Operating Officer of Customs and Border Protection].

Malcolm Turnbull – when Opposition Leader, and in advance of the white paper – said Liberals “don't buy the analysis” of defence experts that China is developing into a major strategic threat to Australia for decades to come. “It makes no sense for Australia to base its long-term strategic policy on the highly contentious proposition that we are on an inevitable collision with a militarily aggressive China,” Turnbull said, and warned against “exaggerated fears” about China. Whether or not Abbott shares this view is not known. Two heavyweights in defence and national security circles, Bill Pritchett, former Defence Secretary and Bob Furlonger, former Director of the Office of National Assessment, were critical of the white paper saying it “calls for emphatic criticism and rejection”. They said there is no state in the south, south-east and east Asian regions “displaying any hostile interest in Australia or that can be seen likely to be developing such interest in the foreseeable future.” We profoundly agree.

Here at *Inside Canberra* we're finding irksome the lectures on boat people by shadow Immigration Minister, Scott Morrison. What does he know? He's been in the Parliament for less than three years and before that, was a NSW Lib apparatchik. Morrison says (*Meet the Press*, Sunday) that the present tough policy has “always” been Liberal policy. At 42, he was in primary school when Malcolm Fraser, with bipartisan political support, admitted 2,000 Vietnamese boat people. This is a small number compared to the rate of current arrivals. But even with these numbers, as Julian Burnside has pointed out and Gillard confirmed, it would take 20 years to fill the Melbourne Cricket Ground. Some 25,000 Vietnamese were admitted and apart from the boat people, their claims for asylum were processed off-shore. It is exactly what Gillard proposes. For our part we can see no reason why boat people are not brought to Darwin for processing. Striving to keep the boat people issues alive, Tony Abbott says a “peaceful invasion” is underway. We view this as an irresponsible claim by the alternative Prime Minister, unnecessarily causing alarm within some sections of the community. The far more serious invasion to be avoided is from exotic diseases carried from the rest of the world by birds or plane, or even the wind. An outbreak of foot and mouth, for example, would dwarf the economic consequences of free admission of boat people.

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