

# Australia: Prime Minister Howard facing pressure to quit

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Despite reports that some sort of truce was established at a cabinet meeting on Tuesday, the conflict between Australian Prime Minister John Howard and Federal Treasurer Peter Costello over the leadership of the Liberal Party could erupt again at any time.

The Cabinet meeting took place in the wake of three days of sharpening enmity between the two Liberal leaders over a past leadership deal. In a series of bitter public exchanges, Costello effectively accused Howard of lying, while Howard alluded to his long-serving treasurer as “indulging in hubris and arrogance”.

The damaging brawl erupted following revelations by News Limited journalist Glenn Milne about a deal Howard struck at a meeting with Costello on December 5, 1994. Howard reportedly indicated at the time that he would step aside as prime minister after one and a half terms if Costello would agree not to stand as leader to replace the fast faltering Alexander Downer.

Having been ousted as Liberal leader by Andrew Peacock in 1989, and passed over in the two leadership changes that followed, Howard was anxious to avoid a leadership ballot when Downer was dumped. That took place in January 1995.

While stories of a Howard-Costello deal are far from new, Milne’s report carried extra force because it was confirmed by former Coalition defence minister Ian McLachlan, one of the “old school tie” brigade in South Australian Liberal and business circles and considered to be unimpeachable and “straight as a die”.

McLachlan had told Milne he was present at the meeting when the deal was made and had taken contemporaneous notes, which he had kept. The former minister’s confirmation caused considerable embarrassment to Howard, who has for years persistently denied the existence of any deal and refused to state when he would stand down as prime minister.

At a media conference in Melbourne on Monday, Costello confirmed McLachlan’s version of events, declaring Howard had asked him not to run for Liberal Party leadership and agreeing he would “hand over” after one and a half terms. “I did not seek that understanding. He (Howard) volunteered it and I took him at his word. Obviously this did not happen.”

In a further blow to Howard, who hoped to brazen his way

out of the growing crisis, McLachlan this week handed over a photocopy of his 1994 notes to the media.

Despite the so-called truce, the relationship between Howard and Costello is being described as “barely concealed animosity”. Noting that the old relationship between them “has been shattered” the *Sydney Morning Herald’s* Louise Dodson declared, “it is difficult to imagine the two just picking up the threads and pretending nothing has happened after Costello yesterday questioned Howard’s integrity...”

Within the ranks of the parliamentary Liberal Party, where Howard enjoys a large majority, there is considerable hostility towards Costello for destabilising the government. But it appears that, far from initiating the conflict, Costello was placed in a position where he had to react.

According to Milne, the existence of the “undertaking” was not leaked from within the Liberal Party. “Neither Costello nor his backers had anything to do with this information coming to me,” he wrote on Monday. It came, he insisted, from a “leading businessman” who was a “close confidant” of McLachlan’s who had been shown his 1994 notes.

Faced with the fact that the *Sunday Telegraph* report had received independent confirmation by McLachlan, Costello was placed in a position where he had to confirm it. The only alternative was to deny the report and risk losing the support of his backers in the parliamentary Liberal Party, who have criticised him in the past for failing to stand up to Howard.

Even more significant was Costello’s realisation that powerful forces in business circles have become increasingly dissatisfied with Howard’s performance, and that they would start to look elsewhere for a successor if he backed down.

Evidence of the growing big business concerns has been most visible in the editorial and opinion columns of the Murdoch press, which has criticised Howard for “running out of steam on reform.” A recent editorial commented that: “It looks like Mr Howard commands a ship of state that is slowing on the high seas.”

But this could be described as a mild slap compared to the blast contained in the editorial in Murdoch’s flagship newspaper, the *Australian*, published on July 8, one day before the Milne revelation.

Branding Howard “a pragmatist first and foremost” and a

“leader who saw Australia through a prism of politics” and “considered policy as an adjunct to his own interests,” the editorial set out its central theme: “Time and again, Mr Howard has disappointed by refusing to take up the reform agenda handed to him by his Labor predecessors”.

“Yes, his Government introduced the GST—six years ago. And he is currently taking heat in the polls over its present round of industrial relations reform. But these changes are dwarfed by the far-reaching economic deregulation and even industrial relations by Labor. Meanwhile the Howard government has bowed to populism in thwarting the sale of the Snowy River Hydro, its sale of Telstra is on hold and tax reform is off the boil”.

Howard’s draconian industrial relations laws, which embody far-reaching attacks on workers’ rights and conditions, were dismissed as “tinkering with workplace relations”.

Overall, the editorial insisted, “Howard’s legacy may amount to little more than a plan to scale back the Senate committee system. Considering the challenges Australia faces, it is sad stuff.”

The newspaper even derided Howard’s much-vaunted economic performance.

“It’s easy to look like a sound economic manager when government coffers are full to the last housing boom and resource exports. Handing out tax cuts and boosting middle class welfare win votes in the short term, but fail the test when it comes to shock-proofing our prosperity into the future. Yes, the resources boom has provided a boon, but less of one than many think, resulting from rising commodities prices, not an increase in the volume of goods supplied to the rest of the world. What’s more, unlike the legacy of the reforms of the 1980s and early 90s [implemented by the Hawke and Keating Labor governments], the boom will not last forever.”

In the ten years of the Howard government, the Murdoch press has not published a more scathing critique of its policies. The constant criticism of Howard is that he always backs down in the face of popular opposition to the measures demanded by the dominant sections of big business and finance.

Criticisms were raised earlier this year when the government decided to maintain a series of restrictions on the operations of Telstra, despite the passage of legislation allowing for its full privatisation. The restrictions were given the thumbs down by financial markets and investors, sending Telstra shares far below the price set by the government for the sell-off of its remaining 50.1 percent.

Another cause for critical comment was Howard’s about-face last month on the \$3 billion privatisation of the Snowy Mountains hydro-electricity scheme. Howard feared the sale could fuel a future electoral backlash against the rural-based National Party, the Liberal Party’s junior coalition partner.

Murdoch and other major media groups have also criticised the government’s proposed changes to media laws.

In addition, corporate circles have raised doubts about

Howard’s ability to deliver on sweeping changes in federal-state relations. These involve stripping state governments of jurisdiction over key sectors of the economy and infrastructure, rendering them little more than providers of limited services.

Last month, the Business Council of Australia released a paper entitled “Modernising the Australian Federation”, declaring it a “key priority for the nation and the economy”. The “new federalism” issue was immediately taken up by Costello, just prior to the leadership flare-up—a move no doubt aimed at presenting himself in business circles as an unflinching reformer and a real alternative to Howard.

Significantly, the *Australian’s* editorial attack on Howard called for the “new federalism” to be placed at the centre of tomorrow’s Council of Australian Governments (COAG) meeting of state premiers and the prime minister. This is now being billed as a crucial test of his leadership. “Despite the need for reform, *The Australian* lacks confidence the next COAG meeting will produce more than back-slapping and promises to chat. If this happens Howard will have missed an incredible opportunity.”

For now, Howard appears to have ridden out the storm of the last few days. But the pressure will continue. In a July 11 editorial, the *Australian* warned that the ongoing leadership dispute “puts both Howard and Costello—and by extension the entire Coalition Government—on thin ice”. It called on Howard to “reveal whether he plans to step down around the end of this year or fight an election sometime around October or November next year”. It appears that there are significant layers in business and financial circles who clearly favour the former option.



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