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Kevin Rudd's real record as PM speaks for itself

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ON April 20, 2008, 1000 of the "nation's best and brightest thinkers" rose in stage-managed unison to give a triumphant Kevin Rudd a standing ovation. With the delegates to the 2020 Summit having agreed that 1 per cent of all public spending should be devoted to the arts and that every employer should be obliged to provide 30 minutes of free fitness training a day, the imagination had seized power. And Rudd, who had guided Labor out of the wilderness, was its messiah.

Two years, two months and three days later, the Rudd prime ministership was no more. If his colleagues turned so spectacularly against the man they had hailed as their saviour, it was not in a fit of pique. Rather, it was because everything he touched turned to dust. And his mistakes not only doomed him but cursed his successor, leaving the nation with a trail of broken policies, unrealistic promises and crippling financial commitments.

That Rudd would come unstuck was inherent in his approach, which was an imitation of Peter Beattie's in Queensland: a headline a day, the impression of a problem fixed, and then rapidly move on before appearance and reality could collide.

But what may succeed, at least for a while, in state government is hardly sufficient to cope with the challenges of running the country; and the problems were compounded by Rudd's inability to work with his colleagues, his chaotic approach to decision-making and his lack of any stable, internally coherent, intellectual framework.

He would demand advice and then ignore it; refusing to set priorities, he would leap from issue to issue, resolving none; and veering between indecision and excess, he could never steer a moderate course that allowed for adaptation as circumstances changed. Unwilling to rise above partisanship, his constant attempts to wedge opponents precluded building consensus on difficult issues, depriving him of political cover when it was most needed; insecure in his convictions, his preferred strategy was invariably the ambush, undermining the prospects of gaining agreement.

The result was a sequence of ever more poorly judged decisions interlaced with erratic, poorly explained changes in stance.

Although no single policy could possibly capture all of Rudd's flaws, the response to illegal boat arrivals must come close. It is impossible to say what, if anything, he now believes, or has ever believed, about this issue. Alternating between hawk and dove, he campaigned in 2007 on a tough, "turn back the boats" line; but once in office, he made a virtue of dismantling the Howard government's Pacific Solution, describing it as "just wrong" and inconsistent with "the humanity of the situation".

As boat arrivals picked up, he disregarded departmental advice and repeatedly denied there was any relation whatsoever between that increase and his scrapping of Howard's policies. With detention centres overflowing, a de facto toughening was under way; but Rudd nonetheless went into the 2010 leadership challenge vowing that he would not "be lurching to the Right" on asylum-seekers.

Lost in those U-turns was any understanding of why Howard's approach had succeeded: his steadfast commitment to its implementation, which signalled to the people-smugglers that the government would do whatever it legitimately could to undermine their trade. Indeed, the most careful academic study of boat arrivals, by migration specialist Tim Hatton of the Australian National University, attributes more than half the fall in boat arrivals to the staunchness of Howard's resolve and the clarity of the message it sent.

But, craving approval, Rudd needed to be all things to all people: a humanitarian for those who advocated for refugees; tough-minded for the swinging voters in western Sydney. With their fine antennas, the people-smugglers saw through his inconsistencies; and by 2010, immense damage had been done. As the report of Julia Gillard's expert panel on asylum-seekers noted, the people-smuggling networks had become deeply entrenched in the region. Gillard's efforts were hardly up to the task of reversing that harm, which has imposed more than \$10 billion in unnecessary public spending and will plague any future government.

The same alternation between lofty rhetoric and indecisive, confused implementation destroyed Rudd's climate

change policy. Central to his 2007 campaign, it should have brought out the best in the man; instead, it brought out the worst.

He could easily have secured broad-ranging agreement with Malcolm Turnbull on an emissions trading system early in 2009; his prolonged refusal to do so helped destroy Turnbull's leadership and made Rudd dependent on the ever-intransigent Greens for Senate approval. But having insisted that an ETS had to be legislated before the December 2009 Copenhagen climate change conference, he then suddenly resiled from his commitment to press ahead with the scheme.

Faced with a double dissolution he would likely have won, he clearly lacked the courage to push "the greatest moral, economic and social challenge of our time" to the electoral test. As well as casting doubt on the sincerity of what he repeatedly portrayed as his most deeply held conviction, that meant postponing the issue's resolution until long after the window of opportunity to build a consensus had shut; Gillard's ham-fisted attempts to cope with that legacy contributed greatly to her eventual demise.

But the fallout from the reversal on the ETS went further than that. For, having abandoned his flagship policy, Rudd tried to divert public attention by pledging to solve, once and for all, the funding of public hospitals.

The proposed policy, which stripped the states of one-third of their GST revenues and of their primary role in channelling funds to hospitals, had been sprung on the premiers with little warning and even less consultation; it bore only the loosest relation to the analysis Rudd had commissioned from the National Health and Hospitals Reform Commission, and had never been mentioned in the discussions that followed the release of the commission's final report.

Yet Rudd gave the premiers merely five weeks to agree to his proposals, which entailed a fundamental change in the allocation of responsibilities in the Federation and a drastic revision to the GST. In the chaos that followed, neither Rudd nor any of his ministers had even bothered to speak to Colin Barnett; that failure, combined with the inherent deficiencies of the Rudd scheme, doomed the proposal, which required the unanimous approval of the states.

This area too was therefore left almost completely bereft of achievements. Rudd had placed improved healthcare at the heart of his 2007 commitments; and he had even promised a constitutional amendment to "take over" the state systems if his proposals were rejected. As it turned out, however, he ignored the NHHRC's sensible recommendations about long-term funding structures, while the ill-conceived spending programs he implemented proved inefficient and ineffectual, with waiting times for elective surgery actually rising.

As a result, the task of securing an outcome with the states on health reform also fell into Gillard's lap, leading to an agreement whose steps forward were bought at the cost of commonwealth financial obligations so large and open-ended as to be potentially ruinous.

But the collapse of Rudd's hospital funding proposal was trifling compared to the debacle of the resource super-profits tax.

Rudd had wanted to go to the 2010 election with solid credentials on tax reform; additionally, the RSPT had the potential to wedge the Coalition while delivering a large revenue stream that could fund election promises. And coming a mere fortnight after the failure of his hospital reforms, the RSPT yet again served to shift the focus of attention from the latest fiasco.

However, every aspect of the process that led to the RSPT was comprehensively mismanaged. Instead of releasing the Henry tax report for public discussion, thus giving time for its proposals to gain community acceptance and for glitches to be identified and addressed, Rudd sat on it for four months, unable to decide which of its recommendations would be worth pursuing.

He did hold some discussion with the miners, who had been broadly supportive of a move towards a profits-based tax, assuring them no decisions would be taken without full consultation; but those assurances proved entirely false.

Rather, in the worst error of political judgment since when Ben Chifley, without having adequately consulted his colleagues or worked through the consequences, told the press he would nationalise the banks, Rudd announced the RSPT as a *fait accompli*. But the mining tax he announced was little more than a theorist's concept sketch; it was entirely unclear how it would be implemented.

What was clear, however, was that it threatened to expropriate existing assets, bankrupt the industry's more heavily indebted players and do serious damage to future investment. And it was also clear that Rudd didn't understand the tax, was incapable of explaining it and was hopelessly confused about its implications. Faced with the predictable onslaught, his days were numbered, while the cause of tax reform was durably set back.

Any account of Rudd's record, however, would be incomplete without consideration of national defence. This area, too, had been central to the conservative image he sought to project in 2007; and yet again, promises that were barely credible when they were made were soon reduced to rubble.

That is not to deny the valuable work done by the audit of the defence budget, which the Rudd government commissioned from George Pappas and McKinsey in 2008. And the goals of the defence Strategic Reform Program that came out of that review were feasible and desirable.

But Rudd injected into the 2009 defence white paper future equipment purchases that dwarfed previous defence build-ups: the RAN alone was to acquire 12 conventional submarines, eight frigates and 20 multi-role offshore patrol vessels during the next 20 years. In each instance, the vessels were to be substantially larger and more sophisticated than those they replaced, and in the case of the submarines more numerous by a factor of two. Even if defence expenditure had increased as programmed in the white paper, the promised acquisitions would have been underfunded by close to 60 per cent.

That programmed funding, however, never materialised. Merely eight days after seizing the headlines with the release of his "think big" defence strategy, Rudd slashed defence outlays in the 2009-10 budget, deferring 80 per cent of the much-touted increases into the never-never land beyond forward estimates.

It is inconceivable that Rudd, when he appeared on talk shows promoting a "massive boost for Australian defence industry", was unaware of the expenditure cuts that would be announced within a week. But even putting questions of simple honesty aside, the result was to throw defence planning into the complete disarray from which it is still struggling to recover.

By most standards, failure in all these areas, which were the core of his 2007 campaign, would be a damning indictment. In Rudd's mind, however, they are minor caveats on his success in responding to the global financial crisis: the froth, in Lenin's phrase, on the tidal wave of history. And there can be no doubt that the GFC, which began in mid-2007 but only reached a crescendo in late 2008 and early 2009, posed significant risks to the Australian economy.

Yet it was also apparent that we were relatively well placed to weather the storm: the banking system was fundamentally sound; labour market flexibility had not yet been undermined by the Fair Work Act; and China seemed likely to ensure its rapid growth continued, fuelling strong demand for our resource exports. Moreover, a flexible exchange rate, the very considerable scope for monetary easing provided by high real interest rates and the strength of the commonwealth's fiscal position meant that should conditions deteriorate, there was every capacity to respond.

All that ought to have encouraged an approach that was cautious and incremental, allowing policy adjustments as circumstances changed. Strengthening the case for such an approach were the risks highlighted in the recessions of the 1970s and 80s, when stimulus packages undermined the quality of public expenditure, locked in wasteful programs that proved difficult to eliminate and led to spiralling public debt.

But a careful, deliberate response was not in Rudd's DNA, much less in his perceived political interests. And, perhaps mindful of the long history of conflicts between prime ministers and treasurers, Rudd had chosen in Wayne Swan an adviser who was unlikely to displace his master, but whose understanding of economic policy was scarcely better than Rudd's.

After mounting the scare campaign to end all scare campaigns as to the severity of the crisis the economy faced, the second stimulus package Rudd and Swan devised committed public spending of unparalleled scale and duration. Filled with programs whose design would have disgraced a Third World government, the flaws in measures such as the home insulation scheme and Building the Education Revolution were obvious from the start. And the excuse of the GFC was used to justify a growing list of questionable interventions, stretching from Rudd's \$500 million Green Car fund to the infamous "Rudd bank" (with its potential liabilities of up to \$26bn).

It was not only the quality of public spending that suffered in the rush to distribute taxpayers' money; it was also the integrity of public processes. The decision to bypass the Productivity Commission and instead rely on

handpicked panels to recommend assistance to the car and textiles industries, and the spectacular rise in the number of exemptions granted from the requirement to file regulation impact statements, were symptoms of Rudd's contempt for accountability mechanisms that had been respected by both sides of politics. But that disregard for proper process reached a peak with the \$43bn National Broadband Network. In 2008, Rudd had solemnly promised "infrastructure decision-making based on rigorous cost-benefit analysis". But the decision to proceed with the NBN, the largest infrastructure project in Australia's history, was made on the back of an envelope during a flight between Melbourne and Brisbane, with technical information gleaned from Wikipedia and costings based on rough (and seriously inaccurate) estimates for Britain.

Given the failure to undertake even the most elementary of assessments, the missed milestones and cost blowouts that have plagued the NBN's deployment could hardly be surprising.

The process that led to the NBN was itself emblematic of Rudd's style. In the lead-up to the 2007 election, Rudd and communications minister Stephen Conroy, in talks with Telstra, had given firm assurances, on a confidential basis, that Labor would proceed with Telstra's planned fibre-to-the-node network; and Labor in fact campaigned on the basis of delivering such a network, at a cost to taxpayers of \$4.7bn. Once in office, however, all bets were off, and a bungled tender process led to Telstra's bid being disqualified and the other proposals judged inadequate.

Good sense at that point would have suggested going back to basics; but incapable of admitting mistakes, much less correcting them, Rudd and Conroy chose to square the error, covering up the fiasco by mandating the most grandiose option available, imposing costs on taxpayers up to 10 times those of the FTTN.

The excuse Rudd and Conroy gave was that building a government-owned NBN would avoid the need to make up to \$20bn in payments to Telstra, which an FTTN, they claimed, would have required. But it was obvious that the alternative they had chosen did not avoid those payments, which ultimately have proved nearly as large as those envisaged for the FTTN (and which Telstra's initial bid would have avoided entirely).

Australia therefore was burdened with a venture that, whatever its technical attractions, competed with more worthwhile private-sector projects for scarce capital and skilled labour and was poorly planned, badly managed and massively costly.

It would consequently be an understatement to say Rudd wasted a good crisis; rather, he used the crisis to wreak further harm. Quantifying the losses that has imposed on future taxpayers is not easy, but even ignoring the NBN, it is clear that stimulus-related expenditure decisions worth about \$64bn since the 2008-09 budget were completely unnecessary, as they involved outlays after the economy had returned to trend growth.

Taking account of the inefficiencies caused by the taxes needed to ultimately finance that amount, the reduction in private sector income is between \$76.5bn and \$95.6bn, while even with interest rates of 3 to 5 per cent the debt-servicing cost approaches \$3bn a year.

Adding just the predictable losses on the NBN, which are in the order of \$18bn, those costs rise to between \$94.5bn and \$113.6bn, yielding an average reduction in private income under Rudd of about \$785m for each and every week he was in office.

Those costs will weigh on the Australian economy for years to come. Already unemployment is higher than it was during the worst period of the GFC; but the fiscal hole Rudd left means there is far less scope for boosting public spending than there was five years ago. And with interest rates at historic lows, so that monetary policy has little room to move, we are more vulnerable to global economic risks than at any time since the late 90s.

The messiah of the 2020 Summit therefore proved a very inferior prophet. And most of all, he failed dismally as a leader.

That is not because of any shortage of ability; on the contrary, his resources of energy, endurance and determination are second to none. But leadership requires more than an unusually elevated dose of political vitamins: it requires a disciplined intellectual framework that can shape an understanding of the past, underpin mastery of the present and guide the search to enlarge the future. Lacking that, no number of resurrections can transform persistent failure into enduring success. To believe otherwise is to court ultimate disaster, with nothing but disappointment along the way.