



# Maybe ex-PM knew best in thwarting Costello's ambition



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osing office not only means you are out of a job. It also means you are no longer the chief storyteller of the Government narrative.

Before his November 24 election loss, John Howard predicted that Labor would seek to rewrite history should it win. He was pointing out the bleeding obvious, really. Victors always write history.

But so far it's not been Labor that has been rewriting history, having made history by booting out a government when the economy was purring along quite nicely.

Rather, it's been the defeated who have been rewriting history, not so much by giving us their spin on past events but by illuminating events which had until recently gone untold.

Nick Minchin told us that he had asked Mr Howard to step down as prime minister soon after the previous government celebrated its 10th anniversary in March 2006.

We've heard from Alexander Downer, who said he thought the government was doomed long ago (perhaps that's why he mused to reporters from the Adelaide Advertiser in September that he would consider a switch to State politics to become the South Australian premier).

And on WorkChoices we've had

all sorts of damaging circumspection from the Liberals too.

The minister whose last job was to sell the virtues of the industrial relations regime, Joe Hockey, would appear to be comfortable with the prospect of the coalition disowning the controversial laws, acknowledging Labor had a mandate to overturn them.

And there's a story going around the traps that the fellow Mr Hockey replaced as workplace relations minister, Kevin Andrews, wanted protection from unfair dismissal laws to extend only to small businesses employing 30 or fewer workers but that he was overruled in Cabinet.

There have also been stories from outside government circles that have only come to light because of the Howard government's defeat.

Chief economist at the ANZ Bank Saul Eslake gives a fascinating insight into the character of Peter Costello, the man who would have eventually been PM if Mr Howard had prevailed over Kevin Rudd.

It's been known for ages that Mr Eslake had a testy relationship with the former treasurer over the past few years but few knew why. He vowed to keep it secret until after he left his job or Mr Costello left his, whichever came first.

Here is his tale, recounted this week to *The West Australian*. In March 2002, Mr Eslake was giving a presentation to a conference of chartered

accountants in Hobart. From the floor came a question from a wire reporter asking whether, in his view, the Howard government had engaged in any creative accounting.

"I said yes they had," recalled Mr Eslake, "and gave three examples of that: the way they accounted for the GST in the face of contrary advice from the Auditor-General and the stats bureau; the fact that on two occasions — although they since did it a third time — they had mucked around with the timing of the Reserve Bank's dividend, delaying the receipt of part of it so that in cash accounting, as distinct from accrual accounting, they improved the Budget bottom line for one year at the expense of the preceding one.

"And third, that when they sold land and buildings, they classified that as negative expenditure rather than as they did with selling Telstra, an asset sale, and excluded from the underlying Budget balance."

A few hours later, Mr Eslake was in a taxi coming back from Melbourne Airport when to his astonishment he got a phone call from ANZ CEO John McFarlane.

"He said he had had Peter

Costello, the treasurer, on the phone complaining about what I had said and threatening to take what John McFarlane paraphrased as 'regulatory action that ANZ would not like'," he said.

Mr McFarlane told him he was not going to tell the bank's chief economist how to do his job but that it was important from the ANZ shareholders' perspective that the bank got on well with the treasurer given that he might be the next PM.

He asked Mr Eslake not to talk about the government's accounting policies again and, if it was possible, to patch it up with Mr Costello.

So Mr Eslake dutifully rang the treasurer's office, told Mr Costello's secretary to tell her boss that it was nothing personal and that if he was offended by what he had said, he apologised. He left his contact details hoping to put his case personally but Mr Costello never called.

Meanwhile, a senior Costello aide, Nikki Savva, had sent a copy of the wire reporter's story — with the "offending" paragraph circled — to ANZ chairman Charles Goode.

"Given that Costello had known me personally at that stage for almost

20 years (they'd first met in the early 80s when they were both members of the Young Liberals), he could have, or he could have had one of his advisers, ring me to debate the

point," Mr Eslake said.

"But rather than debate the point, he sought to use regulatory powers conferred on him by virtue of his position as treasurer to see if he could get my boss to intimidate me, intimidate my boss to see if he would silence me, or worse."

Mr Eslake says he is not the only person in economic circles to have got this sort of attention from Mr Costello while he was treasurer and he says he knows Mr Howard later became aware of the incident.

It's his view that the former PM had marked Mr Costello's card and that this had contributed to Mr Howard resisting his deputy's overtures to step down for so long and, as it turned out, at considerable risk to his own place in history.

"Although John Howard has never lightly tolerated dissenting opinion in his own ranks, in his second incarnation as leader he was quite willing to work with people who had occasionally disagreed with him about things," Mr Eslake said.

"Howard accepted that from time to time people he would see as being of sound judgment and friendly disposition would disagree with him or the government and have the temerity to say so, without that marking them as traitors for life.

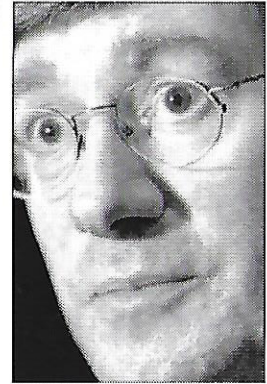
"Peter Costello, on the other hand, appeared to have trouble operating within the same frame of mind.

"The Prime Minister had no doubt concluded that Australia is too

small a place for its would-be leader to cut off from ever providing advice or counsel anyone who's ever disagreed with him about anything.

"This kind of behaviour — because I was by no means unique in this regard — to Howard's mind may not have been the kind of thing that you would want in the leader of the Liberal Party."

When John Howard finally records his version of history, perhaps he'll reveal even more about why he put his legacy in peril by clinging on to power. And Peter Costello may have to put his own thoughts to paper.



Tale to tell: ANZ economist Saul Eslake



Tough profic Peter Costello is alleged to have made a phone threat.