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The 1998 and 1999 Cabinet records in context

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ELECTION 1998: A COALITION 'NEAR-DEATH EXPERIENCE'

1997 had been a trying year for John Howard's Liberal–National Party Coalition government. The euphoria of its March 1996 landslide election victory had dissipated. Several ministers were felled by breaches of the ministerial code of conduct and travel claim irregularities. The Coalition's tortuous and divisive handling of the High Court's native-title Wik ruling became emblematic of a government that looked brittle and uncertain. An insurgency on the conservative side of politics by Pauline Hanson's One Nation Party also unsettled Coalition ranks. With the government falling behind the Labor Party in the opinion polls, there were even rumblings about the security of the prime minister's leadership.¹

In what was to become, however, a recurring pattern of the Howard era, political struggle germinated the green shoots of recovery. Key personnel changes in the Prime Minister's Office in the second half of 1997 ushered in a period of remarkable stability in the government's inner sanctum that delivered improved strategic nous.² The Coalition also went on the policy offensive. In August, Howard invited the nation to join him on a 'great tax adventure'.³ He had committed the government to major tax reform, headlined by a Goods and Services Tax (GST), for which it intended to seek a mandate at the following election.

The audacity was further reflected in the Coalition's support of the brinkmanship tactics of the stevedoring company Patrick in challenging the power of the Maritime Union of Australia that provoked a major industrial showdown on the wharves in the autumn of 1998.⁴

Shortly after unveiling the government's tax reform package in August 1998, Howard called an early election for October that year. As well as needing to sell the GST to a wary public, it faced the wildcard of Hanson's One Nation Party, which had been emboldened by a spectacular result in the recent Queensland state election.

The Coalition suffered a large swing at the October poll. In both the primary and two-party preferred vote, it received a smaller share than Labor – a 'double deficit' that was unprecedented for a first-term government in Australia. Yet, with the haemorrhaging of votes contained in key

¹ See Paul Strangio, '[Background to the 1996 and 1997 Cabinet Papers](#)', National Archives of Australia, naa.gov.au

² See Anne Tiernan, 'Staffing the PM's Office: a key to national leadership' in Tom Frame (ed.), *Back from the Brink, 1997–2001: the Howard government, volume II*, UNSW Press, Sydney, 2018, pp. 91–97

³ Quoted in David Alexander, "'Never, Ever": introducing the GST' in Tom Frame (ed.), *Back from the Brink, 1997–2001: the Howard government, volume II*, UNSW Press, Sydney, 2018, p. 144

⁴ There is no mention of the waterfront industrial dispute in the released Cabinet records. For an account of this episode see Helen Trinca, *Waterfront: the battle that changed Australia*, Doubleday, Sydney, 2000

marginal electorates, the Coalition survived with a 12-seat majority.⁵ Chastened by what Howard later described as 'a near-death experience', the Coalition nevertheless emerged with a renewed sense of purpose.⁶

THE 'GREAT TAX ADVENTURE': TAX REFORM AND THE GST

Selling it to the public

A consumption tax had been on and off the political agenda for at least a decade and a half when the prime minister declared his government's tax reform ambitions in August 1997. The measure had long been an article of faith for Howard. In 1982, as treasurer in Malcolm Fraser's Coalition government, he had unsuccessfully proposed a broad-based consumption tax to Cabinet.⁷

The GST was the centrepiece of a larger tax reform package formulated by a taskforce appointed by the Howard government in the 12 months following the 'great tax adventure' announcement. Even before its design was complete, Cabinet prepared to sell its tax plans to the public. In April 1998, it allocated \$10 million for 'a comprehensive Government information campaign explaining proposals for reform of the taxation system' to be conducted 'at an appropriate time'. Mindful that it could be criticised for using taxpayer money to promote the government's tax changes, Cabinet noted 'relevant precedents in relation to similar information campaigns on major reform proposals'.⁸ It committed a further \$10 million to advertising the taxation package and 'related health packages' that July.

Selling its tax plans to the community continued to be a concern for the government. When the path was eventually cleared for legislating the reforms following a deal with the Australian

⁵ See Murray Goot, 'An Extraordinary Victory: winning the election while losing the vote' in Tom Frame (ed.), *Back from the Brink, 1997–2001: the Howard government, volume II*, UNSW Press, Sydney, 2018, pp. 1–24

⁶ John Howard, *Lazarus Rising: a personal and political autobiography*, HarperCollins, Pymble, NSW, 2013, p. 365

⁷ Binh Tran-Nam, 'The goods and services tax (GST): the public value of a contested reform' in Joannah Leutjens, Michael Mintrom and Paul 't Hart (eds), *Successful Public Policy: lessons from Australia and New Zealand*, ANU Press, Canberra, 2019, p. 244

⁸ NAA: A14370, JH1998/141, Cabinet Decisions JH98/0141/CAB, JH98/0141/CAB/2 and JH98/0141/CAB/3 – Taxation Reform – information campaign – public information programme – Without Submission

Democrats in May 1999, Cabinet agreed ‘in principle’ to a public information program ‘to ensure Australians are made aware of its provisions and the changes for which it provides’.⁹

Preparing the plan

July 1998 was period of intensive deliberation for the Howard Cabinet as the tax reform plan was readied for public release. Treasurer Peter Costello made several presentations to his ministerial colleagues that month. The briefings were delivered using the technology of PowerPoint – a first for the Cabinet room.¹⁰ A marathon meeting on 23 July endorsed key elements of the package, especially in relation to compensation measures. There was to be a revision and rationalisation of the family assistance payments system and financial help for self-retirees, including a one-off lump-sum payment. The threshold for the top marginal tax rate was to be increased from \$50,000 to \$75,000 (a change later scaled back by an agreement with the Australian Democrats). Cabinet also approved the introduction of the Australian Business Number and a \$500 million assistance package for small businesses. It resolved that the tax policy document feature a statement of the government’s ‘objective to move towards a 30 per cent company tax rate’.¹¹

When Costello presented his colleagues with a draft of the tax plan document (‘Tax Reform: not a new tax, a new tax system’), Cabinet was apprehensive. It agreed that the document be revised to ‘highlight the positive impact the reforms would have on employment and wealth creation, efficiency, and business costs including through the elimination of “red tape”’. It also thought the plan should feature a statement that ‘Treasury’s distributional analysis shows that no household type or income range loses as a result of the package’. Given the government’s subsequent concession to the Australian Democrats to exempt food from the GST, it was ironic that Cabinet also decided that the document contain ‘an explanation of why food should be included in the GST base’.¹² Cabinet’s nervousness was also evident when, in early August 1998, it approved a one-off 4 per cent increase in pensions and other social security benefits from 1 July 2000. The measure

⁹ NAA: A14370, JH1998/141, Cabinet Decisions JH98/0141/CAB, JH98/0141/CAB/2 and JH98/0141/CAB/3 – Taxation Reform – information campaign – public information programme – Without Submission

¹⁰ Peter Costello (with Peter Coleman), *The Costello Memoirs: the age of prosperity*, Melbourne University Press, Carlton, Vic.: 2008, p. 130

¹¹ NAA: A14370, JH1998/253, Cabinet Decisions JH98/0253/CAB, JH98/0253/CAB2, JH98/0253/CAB3, JH98/0253/CAB4, JH98/0253/CAB5, JH98/0253/CAB6, JH98/0253/CAB7, JH98/0253/CAB8, JH98/0253/CAB9 and JH98/0253/CAB10 – Tax reform – taxation of alcohol and tobacco – collective investment vehicles – Without Submission

¹² NAA: A14370, JH1998/253, Cabinet Decisions JH98/0253/CAB, JH98/0253/CAB2, JH98/0253/CAB3, JH98/0253/CAB4, JH98/0253/CAB5, JH98/0253/CAB6, JH98/0253/CAB7, JH98/0253/CAB8, JH98/0253/CAB9 and JH98/0253/CAB10 – Tax reform – taxation of alcohol and tobacco – collective investment vehicles – Without Submission

added \$220 million to the cost of the package in 2000–01. This was only a week after Cabinet had agreed to a ceiling on the estimated cost of the package of \$4.5 billion in that financial year.¹³

The painstaking work of tax reform was far from complete. In March 1999, the government girded itself for the battle to have the package accepted by the Senate. Costello sought endorsement from Cabinet for a negotiating position to take to the Premiers' Conference in April. The major agenda item at the conference was the revision of Commonwealth–state financial relations under the proposed new tax arrangements. Costello's submission noted that agreement with the states would 'strengthen the Government's hand in seeking the passage of the taxation reform legislation through the Senate'. Insistent that it was entitled to additional transitional funding, Queensland loomed as the chief stumbling block to agreement. Costello was granted leeway from Cabinet 'to explore the scope for settling' the impasse. The Department of Finance and Administration was worried. It pointed to the 'major financial risk to the Commonwealth' from the potential contagion effect of 'the special case being pleaded by Queensland'.¹⁴

The tax reform package became law in the winter of 1999, but fine-tuning of the measures continued. In August and October, Cabinet approved a number of mostly minor and technical modifications to the GST and associated tax reform legislation. One of the more significant changes was amending the *Trade Practices Act 1974* 'to bring forward the Australian Competition and Consumer Commission's "price exploitation" and "enforcement" powers to cover unreasonable price rises' prior to the GST's introduction. This was necessary, Costello informed Cabinet, because businesses could potentially hike prices before the GST came into effect on 1 July 2000, thereby evading the Australian Competition and Consumer Commission's monitoring of profit taking.¹⁵

Cabinet also immersed itself deep in the weeds of the policy. It guaranteed that GST-free treatment would be extended to 'the full range of life saving activities of surf life saving clubs' and that the Luxury Car Tax would apply to 'all limousines regardless of carrying capacity'.¹⁶

¹³ NAA: A14370, JH1998/253, Cabinet Decisions JH98/0253/CAB, JH98/0253/CAB2, JH98/0253/CAB3, JH98/0253/CAB4, JH98/0253/CAB5, JH98/0253/CAB6, JH98/0253/CAB7, JH98/0253/CAB8, JH98/0253/CAB9 and JH98/0253/CAB10 – Tax reform – taxation of alcohol and tobacco – collective investment vehicles – Without Submission

¹⁴ NAA: A14370, JH1999/121, Cabinet Submission JH99/0121 – Commonwealth–State Financial Reform – Decision JH99/0121/CAB.

¹⁵ NAA: A14370, JH1999/291/1, Cabinet Submission JH1999/0291 – Amendments to fine tune the GST and other tax reform measures – Decision JH1999/0291/CAB

¹⁶ NAA: A14370, JH1999/291/1, Cabinet Submission JH99/0291 – Amendments to fine tune the GST and other tax reform measures – Decision JH99/0291/CAB; NAA: A14370, JH1999/331 –

MANAGING THE BUDGET

Budget 1998–99

Inheriting a substantial deficit when it came to office in March 1996, the newly elected Coalition government had resolved to return the nation's finances to 'underlying balance' over the next two financial years.¹⁷ The search for savings had made the initial budgets of the Howard era torrid affairs. However, as Cabinet set about formulating its 1998–99 Budget, that policy of austerity had achieved its goal. The Budget announced by Treasurer Costello in May 1998 boasted a modest surplus.¹⁸

Cabinet had laid down the parameters for the 1998–99 Budget in December 1997. Ministers were granted some scope for new spending initiatives, but were expected to offset them with savings. In January 1998, the prime minister wrote to ministers and identified priority areas in their portfolios where offsets would not be required.

Despite the less straitened conditions, in their Budget submissions spending portfolio ministers chafed against the constraints under which they were still operating. The Minister for Health and Family Services, Michael Wooldridge, pointed out that his proposed package of initiatives was 'relatively small in size, due to the difficulties I have faced in finding further viable saving measures in my portfolio following two Budgets in which I have delivered almost \$8 billion in savings'. Wooldridge's submission featured increased investment in areas such as preventative health, access to health services for rural and regional Australians, and primary healthcare for Aboriginal and Torres Strait Islander communities. He complained, however, that he had been forced to jettison other priorities such as 'a national suicide strategy'.¹⁹

The Minister for Employment, Education, Training and Youth Affairs, David Kemp, indicated that he had not been able to find offsets for all his funding proposals, which focused on extending lapsing programs. He warned of the political cost of further cuts: 'Criticisms of previous savings measures in this portfolio has finally reduced to manageable proportions. The scope for saving measures without rekindling this criticism is extremely slim'. Disregarding the reservations of the Department of the Prime Minister and Cabinet (PM&C), Finance and Administration, and Treasury, Cabinet's Economic Review Committee (ERC) agreed to the program extensions proposed by Kemp. These

Amendments to fine-tune the GST and other indirect taxes – Decisions JH99/0331/CAB, JH99/0331/CAB/2 and JH99/0331/CAB/3

¹⁷ See Paul Strangio, '[Background to the 1996 and 1997 Cabinet Papers](#)', National Archives of Australia, naa.gov.au

¹⁸ [Honourable Peter Costello MP, Budget speech 1998–99](#), 12 May 1998

¹⁹ NAA: A14370, JH1998/12, Cabinet Submission – JH98/0012 – 1998–1999 Budget – Health and Family Services portfolio – Budget submission – Decisions JH98/0012/ER and JH98/0012/CAB/2

included funding an Asian languages and studies strategy in Australian schools until the end of 1999.²⁰

Other portfolio holders bluntly contested the Budget parameters. The Minister for Transport and Regional Development, Mark Vaile, proposed six major new policy initiatives. Treasury costed them at more than \$800 million over four years, noting that the submission offered only about \$10 million 'in genuine offset savings'. Vaile was unapologetic: 'Due to heavy reductions in previous Budgets, there is no capacity to offset these proposals from within this portfolio'. His brinkmanship was partially successful – for example, the ERC approved funding for the second stage of a Christmas Island rebuilding program. However, it ruled out some of Vaile's other expenditure proposals, such as for bridge upgrading and road safety black-spot programs.²¹

Budget 1999–2000

Possibly because of the boundary pushing of ministers in the 1998–99 Budget cycle, in November 1998 Cabinet laid down firm guidelines for a highly centralised 1999–2000 Budget process. Budget submissions were to 'focus on the implementation of election commitments' and were to be drafted 'to achieve the key priorities' established by Prime Minister Howard, Deputy Prime Minister Tim Fischer, Treasurer Costello and Minister for Finance and Administration John Fahey. Proposals 'greater than \$5 million in any one year' and 'of a politically sensitive nature' were to be 'handled by ERC'. While this broadly replicated the procedures of the previous year, ministers were placed on notice that 'the Cabinet Secretariat would reject any submission that does not address fully the targets and priorities set by the Prime Minister'. In an accompanying submission, Costello and Fahey noted that there would be only one ERC round. They also observed that this would be the 'first Commonwealth Government Budget to be formulated and reported on an accrual basis': an innovation designed to instil greater transparency and discipline into service delivery.²²

Preparations for the 1999–2000 Budget hinted at a government, fresh from its 1998 election great escape, which was waning in belt-tightening zeal. In David Kemp's portfolio of Education, Training and Youth Affairs, expenditure on a suite of election commitments was approved. These included measures to improve literacy and numeracy outcomes in the middle years of schooling, a quality teaching program, and a rural and regional incentive apprenticeship scheme.

²⁰ NAA: A14370, JH1998/14, Cabinet Submission – JH98/0014 – 1998–1999 Budget – Employment, Education, Training and Youth Affairs portfolio – Budget submission – Decisions JH98/0014/ER (Amended) and JH98/0014/CAB/2

²¹ NAA: A14370, JH1998/16, Cabinet Submission – JH98/0016 – 1998–1999 Budget – Transport and Regional Development portfolio – Budget submission – Decisions JH98/0016/ER, JH98/0016/ER/2 and JH98/0016/CAB/3

²² NAA: A14370, JH1998/317, Cabinet Submission – JH98/0317 – 1999–2000 Budget process – Decisions JH98/0317/CAB and JH98/0317/CAB/2

On the other hand, in accordance with a request by Fahey, Kemp's submission included a proposal for offset savings in the form of 'the imposition of an interest rate on Higher Education Contribution Scheme (HECS) debts that had been outstanding by more than 12 months and the abolition of discounts for upfront payers'. Yet Kemp strongly argued that consideration of these measures be deferred until a review of post-secondary arrangements was completed later in the year. He also launched a pre-emptive strike against the measures by suggesting that they would be a significant imposition on students already affected by reductions to university operating grants. Further, he argued, the measures were likely to encounter strenuous resistance in the Senate and 'add considerable complexity' to HECS. Treasury demurred. It observed that Kemp's department had 'the largest value of election commitments of any portfolio' and, together with Finance and Administration and PM&C, pressed for the HECS changes. The ERC, however, sided with the minister.²³

It was a similar story in Jocelyn Newman's Family and Community Services portfolio. Newman's submission included significant new spending, chiefly in family assistance, as compensation for the GST. The major balancing savings proposal was a change to the pension assets test. Commenting on Newman's submission, PM&C agreed that 'people with significant assets can use discretionary and testamentary trusts to circumvent the pension assets test'. It supported addressing this loophole, but acknowledged that the growth of such arrangements meant that the change would be 'strongly opposed by some sections of the community'. Both Finance and Administration and Treasury believed there were 'sound policy reasons' for the change, although the former advised that it should be deferred. The ERC asked Newman to 'examine the possible unintended consequences' of the savings proposal. It directed her to consult with the prime minister before bringing it back for further consideration. Following those consultations, Cabinet shelved the idea.²⁴

The search for savings was not exhausted, however. In November 1998, Cabinet approved a proposal from Newman for the introduction of 'optical surveillance services' to 'assist in investigating cases of serious social security fraud'. On the basis of a pilot conducted between August 1997 and March 1998, Newman forecast that the 'savings and benefits' would substantially outweigh the costs. The surveillance was to be managed by Centrelink, but carried out by private contractors who, Cabinet stipulated, should be 'made aware of all relevant privacy legislation'. Centrelink was to ensure that welfare recipients were surveilled 'only when there is reasonable suspicion of serious social security fraud and only after all alternative methods of investigation have been exhausted'. Even so, the Attorney-General's Department was troubled by the proposal. It pointed out that 'in almost 40 per cent of cases' targeted during the pilot 'no incorrect payment

²³ NAA: A14370, JH1999/5/1, Cabinet Submission JH99/0005 – 1999–2000 Budget – Education, Training and Youth Affairs Portfolio – Decisions JH99/0005/ER, JH99/0005/ER/2, JH99/0005/ER/3 and JH99/0005/CAB/5

²⁴ NAA: A14370, JH1999/8/1, Cabinet Submission JH99/0008 – 1999–2000 Budget – Family and Community Services Portfolio – Decisions JH99/0008/ER, JH99/0008/ER/2, JH99/0008/CAB/5 and JH99/0008/CAB/6

was identified'. It urged that, should the government proceed with the scheme, Centrelink 'improve its procedures for choosing cases to investigate'.²⁵

CLIMATE CHANGE

International negotiations

The third conference of the parties to the United Nations Framework Convention on Climate Change, scheduled to take place in Kyoto, Japan, in December 1997, aroused considerable anxiety in the Howard government during its first 18 months in office. The conference, it was feared, could produce an agreement disadvantageous to Australia's economic interests. There was particular concern about the possibility of a protocol binding industrialised nations to uniform emissions reduction targets.

But, in March 1998, a submission to Cabinet by the Minister for Foreign Affairs, Alexander Downer, the Minister for the Environment, Robert Hill, and the Minister for Resources and Energy, Warwick Parer, indicated that apprehension about the Kyoto gathering had been replaced by satisfaction at its outcome. They reported that the Kyoto agreement was 'fair and realistic' and met 'all of Australia's primary objectives'. Foremost among those objectives were differentiated emissions reduction targets for developed countries, 'reflecting individual circumstances'. Australia's target under the Kyoto Protocol was an 8 per cent increase in emissions by 2008 to 2012. This represented 'a cut in our projected business-as-usual growth of 30 per cent, which is comparable to the average for industrialised countries as a whole'. Another 'important achievement for Australia' was 'securing agreement to emissions from the land use change and forestry sector being treated in essentially the same way as those from other anthropogenic sources'. Indeed, the submission pointed to estimates that much of the difference between business-as-usual activity and Australia's target would be 'obtained from reductions in emissions from land clearing'.²⁶

Kyoto, however, had not been without costs. The ministers acknowledged that relations with European Union (EU) and Pacific Island countries had been strained. The protocol also left unfinished business. Further work was required to devise an international emissions trading regime and commit developing countries to emissions abatement. Moreover, the methodology for calculating emissions reductions from land clearing had yet to be clarified and countries 'who consider that Australia secured too good a deal at Kyoto may use this to try to increase our emission reduction task'.

The ministers recommended that Australia 'continue to take an active role' in international climate change negotiations to address these residual concerns. Cabinet agreed. Australia was to 'actively pursue its interests' in those negotiations through formal convention processes, the Umbrella

²⁵ NAA: A14370, JH1998/321, Cabinet Submission JH98/0321 – Use of optical surveillance services to assist in detecting cases of serious social security fraud – Decision JH98/0321/CAB

²⁶ NAA: A14370, JH1998/0116, Cabinet Submission JH98/0116 – Climate change – Post-Kyoto negotiations and signature of the Protocol – Decision JH98/0116/CAB

Group (a bloc of like-minded countries formed at Kyoto comprising Australia, the United States, New Zealand, Canada, Japan, Russia, Ukraine, Norway and Iceland) and other informal processes.

Cabinet also had to decide whether to sign and ratify the protocol. The ministers saw no obstacle to signing (Australia signed the protocol on 29 April 1998). However, they considered that ratification was 'a completely separate and longer term question ... important issues remain unresolved and the full implications of the protocol will not be known until those questions have been addressed'. Cabinet resolved to defer considering ratification.²⁷

In October 1998, preparing for the next major global conference on climate change to be held in Buenos Aires, Argentina, the following month, Cabinet reaffirmed the international negotiating position adopted earlier in the year. Its expectations of progress in Buenos Aires were low. For this reason, it left open the option of Australia signalling its intention to join with the Umbrella Group, which would form its own emissions trading system. A submission by Downer, Hill and the Minister for Industry, Science and Resources, Nick Minchin, counselled that collaboration with the Umbrella Group 'may be the only means of securing leverage for future negotiations with the EU' and that 'standing aside from a consensus among key Umbrella Group countries would leave us isolated'. There remained concern that EU countries could spearhead a push 'to undo Australia's target'.²⁸

In October 1999, preparing for another major international climate conference, this time in Bonn, Germany, Cabinet resolved to 'retain the option of an Umbrella Group emission trading bubble ... as a negotiating tactic'. The pessimism about Buenos Aires had been borne out. Downer, Hill and Minchin reported that the 'obstructionist approach' of China and a coalition of developing countries had hindered progress towards obtaining abatement commitments from developing nations. The EU had also 'complicated negotiations'.²⁹

Domestic action

In their March 1998 submission to Cabinet, Downer, Hill and Parer advised that Australia's international negotiations on climate change must go 'hand-in-hand' with domestic action.³⁰ In June, Cabinet agreed to the National Greenhouse Strategy. A submission by Hill and the Minister for Industry, Science and Technology, John Moore, noted that the strategy was 'part of an

²⁷ NAA: A14370, JH1998/0116, Cabinet Submission JH98/0116 – Climate change – Post-Kyoto negotiations and signature of the Protocol – Decision JH98/0116/CAB

²⁸ NAA: A14370, JH1998/304, Cabinet Submission JH98/0304 – Climate Change – Australia's approach to international negotiations – Decision JH98/0304/CAB

²⁹ NAA: A14370, JH1999/343, Cabinet Submission JH99/0343 – Climate Change – Australia's position and international negotiating outlook for COP-5 – Decision JH99/0343/CAB

³⁰ NAA: A14370, JH1998/0116, Cabinet Submission JH98/0116 – Climate change – Post-Kyoto negotiations and signature of the Protocol – Decision JH98/0116/CAB

implementation agenda which would enable Australia to achieve compliance with the Kyoto Protocol'. It included measures announced by the prime minister in anticipation of Kyoto, as well as further initiatives negotiated with the states and territories since the conference.

The strategy was informed by three themes: fostering knowledge and understanding of greenhouse issues; limiting emissions; and laying the foundations for adapting to climate change. Though endorsing the strategy, Cabinet resolved that Australia 'carefully monitor the international community's implementation of the Kyoto Protocol and not lock itself into domestic arrangements that disadvantage the competitiveness of Australian enterprises'.³¹

PLANNING FOR A NEW MILLENNIUM

Centenary of Federation

A considerable number of Cabinet deliberations in 1998 to 1999 were about preparing for major events in the new century. One of these was the Centenary of Federation in 2001. The Minister for Communications, the Information Economy and the Arts, Richard Alston, sought \$100 million over four years in the 1998–2000 Budget for Centenary of Federation celebratory events, projects of national significance, a history and education grants program, and a communications strategy. This was in addition to some \$50 million in Australian Government funding already allocated to commemorating the anniversary. The request met with resistance. PM&C described the 'magnitude and composition of the proposal' as 'disproportionate'. The ERC was inclined to agree. It asked PM&C to review funding criteria for the centenary.³²

Less contentious was another proposal linked to the anniversary: the retention of name-identified information from the 2001 Census. The usual practice was to destroy all name-identified data once statistics from the census had been processed. Parliament's Standing Committee on Legal and Constitutional Affairs recommended that, to coincide with the Centenary of Federation, name-identified information collected through the census be retained, to be released after 99 years. In a December 1999 submission, the Minister for Financial Services and Regulation, Joe Hockey, gave qualified support to the idea. According to Hockey, preserving the information would 'provide a comprehensive picture of the Australian community at the end of the first century of nationhood' and constitute 'a lasting legacy of the nation's 100th birthday'. However, he worried that the change might provoke privacy concerns among the Australian public and compromise cooperation

³¹ NAA: A14370, JH1998/230, Cabinet Submission JH98/0230 – National Greenhouse Strategy – Decision JH98/0230/CAB

³² NAA: A14370, JH1998/7, Cabinet Submission JH98/0007 – 1998–1999 Budget – Communications and the Arts portfolio – Budget submission – Decisions JH98/0007/ER, JH98/0007/ER/2 and JH98/0007/CAB/3

with the census. Cabinet decided to retain name-identified information only 'on the condition that households explicitly consent'.³³

Sydney 2000 Olympics

The Sydney 2000 Olympics was another new millennium focus for the Howard Cabinet. It was particularly concerned about the escalating costs the Games were imposing on the Australian Government. In a 1998–99 Budget submission, the Minister Assisting the Prime Minister for the Sydney 2000 Games, Andrew Thomson, noted that Australian Government funding for the Games already amounted to approximately \$415 million. The ERC approved further funding, including for the Australian Security and Intelligence Organisation (ASIO) and the Australian Federal Police (AFP) to undertake 'Games-related' activities, and for the Department of Foreign Affairs and Trade (DFAT) to prepare 'a media and public affairs strategy'. In recommending the latter, Thomson advised: 'As Atlanta has learnt, unless the international media are appropriately handled and serviced ... major damage can be done to the reputation of a city and nation'.³⁴

Shortly afterwards, Cabinet agreed to further financial support under the auspices of a partnership arrangement with the Sydney Organising Committee for the Olympic Games (SOCOG). This was to be subject to negotiations between the Australian and New South Wales governments, based on the condition that the latter 'not approach the Commonwealth for any further financial assistance' to stage the Olympics. Thomson recommended the partnership, under which the Australian Government would provide departmental and agency services to SOCOG, 'to avoid any suggestion that the Commonwealth is not totally supportive of the Games, or that we are seeking to profit from their staging'. Many of the services were to be sourced from the Department of Defence, which signalled its displeasure. For example, it opposed supplying drivers since they were 'readily available from the commercial sector'.³⁵

Following the October 1998 federal election, Jackie Kelly replaced Thomson as the Minister Assisting the Prime Minister for the Sydney 2000 Games. In February 1999, she furnished Cabinet with a progress report on Australian Government preparation for the Games. The impact of Games-related decisions on the Australian Government's budget had reached in excess of \$500 million. Despite its reluctance, Defence was the department absorbing the most significant additional costs. In regard to security planning, Kelly noted that ASIO had assessed 'the overall threat to the Games as low, but the threat environment is volatile and could change quickly ... Protest action and hoaxes, and acts of individual violence associated with protest action, remain

³³ NAA: A14370, JH1999/396, Cabinet Submission JH99/0396 – Retention of name-identified Census forms – Decision JH99/0396/CAB

³⁴ NAA: A14370, JH1998/101, Cabinet Submission JH98/0101 – 1998–1999 Budget – Sydney 2000 Games – Decisions JH98/0101/ER and JH98/0101/CAB/2

³⁵ NAA: A14370, JH1998/153, Cabinet Submission JH98/0153 – Sydney 2000 Games – 'Partnership' arrangement with the Sydney Organising Committee for the Olympic Games and related matters – Decision JH/98/0153 (Amended)

the most likely sources of disruption'.³⁶ Kelly updated Cabinet in October. She pointed to indications that 'elements of the indigenous community ... may try to use the Games to draw attention to their agenda'. Cabinet agreed that PM&C's Olympics media unit devise a strategy 'for the handling of the international media in areas such as indigenous policy, drugs-in-sport policy and Australia's environmental record'.³⁷

Y2K

A more immediate turn-of-the century issue confronting the Coalition government was the Y2K problem, or so-called 'millennium bug'. Put simply, this related to fears that computer programs would be thrown out by the calendar ticking over to the year 2000, causing widespread disruption to computer-dependent systems.

Cabinet treated the potential domestic and international effects of Y2K seriously. In March 1999, it endorsed the development of a 'national communications strategy' to 'stimulate public confidence in measures undertaken by governments and industry to ensure Year 2000 readiness'. In an accompanying submission, Richard Alston noted that a Year 2000 National Steering Committee had been established in February 1998 to oversight a collaborative Commonwealth, state and territory and industry strategy to heighten business awareness of Y2K issues. Alston thought it was time to extend the activity to 'minimise scope for unnecessary contingency planning by the public (e.g. panic buying; cash hoarding etc.) ... and raise awareness of Year 2000 issues among groups where remediation progress appears to have been slow'.³⁸

In March 1999, a submission by the Minister for Defence, John Moore, outlined emergency arrangements for potential Y2K-triggered service failures. Moore reported that while 'the likely extent and duration of the effects ... are currently unknown ... contingency planning needs to be based on worst-case scenarios'. The 'continuity of supply of electricity and of telecommunications' were the areas of 'most critical' concern.³⁹ In August, Cabinet decided to establish a Commonwealth Government Response Centre for the 'critical date changeover period' from 31 December 1999 to 7 January 2000 'to ensure a whole-of-government approach to managing any risk to public safety'. Moore and Alston generally extolled Australia's preparedness and stated that 'based on current information, the risk to public safety from Y2K failures is minimal'. There

³⁶ NAA: A14370, JH1999/50, Cabinet Submission JH99/0050 – Sydney 2000 Olympics – February 1999 report on Commonwealth involvement – Decision JH99/0050/CAB

³⁷ NAA: A14370, JH1999/352/1, Cabinet Submission JH99/0352 – Preparations for the Sydney 2000 Games – October 1999 – Decision JH99/0352/CAB

³⁸ NAA: A14370, JH1999/67, Cabinet Submission JH99/0067 – Year 2000 national communications strategy – Decision JH99/0067/CAB

³⁹ NAA: A14370, JH1999/125, Cabinet Submission JH99/0125 – Emergency Management arrangements for Year 2000 Service Failure – Decision JH99/0125/CAB

remained, however, concerns about ‘fringe-group action’ provoking ‘the public to undertake unnecessary personal contingency planning ... stockpiling food, fuel and large amounts of cash’.⁴⁰

The government was less sanguine about preparations internationally. In a February 1999 submission, the Minister for Foreign Affairs, Alexander Downer, and the Minister for Trade, Tim Fischer, painted a disturbing picture to colleagues. They noted that ‘Y2K disruptions are expected internationally in banking, finance, transportation, communications, manufacturing, energy, water and sewerage, health facilities, emergency supplies and food supply’. There was a chance of dislocation of Australia’s trade. The ‘top ten export markets classified as high to extreme Y2K risks’ included Japan, China, Germany and Indonesia: ‘Japanese and German industry and government are surprisingly behind in their attention to the Y2K problem’. The ministers also outlined international security risks: ‘reduced security and integrity of major weapons and weapons systems (including nuclear weapons) and civilian nuclear facilities; possible difficulties in maintaining government authority and control in some countries ... and the rise of serious and widespread internal unrest in the event of prolonged breakdowns in critical infrastructure’. Regionally, Indonesia and Papua New Guinea were most susceptible to outbreaks of disorder stemming from Y2K.

The submission met with a cool response from Treasury. It thought that the Y2K risks were presented ‘in an overly pessimistic manner’ and queried the submission’s analysis of the vulnerability of Japan and Germany. Treasury suggested that future Cabinet considerations would ‘benefit from a more balanced assessment’.⁴¹

A further submission by Downer in November was less alarming. Yet it still identified Indonesia, Papua New Guinea, Russia and Thailand as among the nations whose lack of preparation for Y2K posed a high risk to Australians overseas. In Indonesia and Papua New Guinea, prevailing social problems could ‘be exacerbated by disruptions to basic utilities, financial institutions and government services’. Any resulting ‘social disorder’ had the potential to jeopardise Australian nationals in those countries, which would place ‘substantial pressure on the Australian Government to provide emergency evacuation assistance’.⁴²

⁴⁰ NAA: A14370, JH1999/259, Cabinet Submission JH99/0259 – Emergency management arrangement for year 2000 service failure – Decision JH99/0259/CAB

⁴¹ NAA: A14370, JH1999/63, Cabinet Submission JH99/0063 – Australia’s vulnerability to year 2000 failures in essential services and infrastructure overseas and a strategic response to that challenge – Decision JH99/0063/CAB

⁴² NAA: A14370, JH1999/371, Cabinet Submission JH99/0371 – Year 2000 contingency planning for the welfare of Australians overseas – Decision JH99/0371/CAB

RESPONDING TO INTERNATIONAL CRISES

Persian Gulf tensions

The Howard Cabinet dealt with several international crises in 1998 and 1999. One was sparked when the Iraqi government suspended cooperation with the United Nations Special Commission (UNSCOM). UNSCOM was the weapons inspection regime established under a 1991 United Nations Security Council (UNSC) resolution for the purposes of inspecting and eliminating Iraq's biological, chemical and missile capabilities.

Tensions over UNSCOM's activities in Iraq and United Nations–imposed sanctions on the country escalated sharply in February 1998 when inspectors were refused access to sites allegedly connected to the manufacture and storage of weapons of mass destruction. The United States and United Kingdom threatened Iraq with military retaliation and began to build up forces in the Persian Gulf.

Australia was also swift to respond. In early February, Howard briefed Cabinet on his discussions with United States President Bill Clinton and the prime ministers of Canada and New Zealand on the Iraqi situation and on 'recent decisions' taken by Cabinet's National Security Committee (NSC). Cabinet affirmed the NSC's decision to 'offer military support to the United States' coalition'. That support was to comprise special forces personnel, two B707 air-to-air refuelling aircraft, and individual specialists with medical and intelligence capabilities. Cabinet also granted the NSC 'authority to agree to support of a similar magnitude ... if the support proposed cannot be incorporated into US plans', but specified that 'any support of a significantly different nature be referred to the Cabinet'. At the same time, Cabinet authorised the Minister for Trade, Tim Fischer, to advise the Australian Wheat Board that the government had not altered 'its support for the United Nations mandated "food-for-oil" trade with Iraq'.⁴³

By late February, the situation had eased following an intervention by the United Nations Secretary-General. It resulted in a provisional agreement with the Iraqi government, committing it to comply with relevant UNSC resolutions. Nevertheless, Cabinet decided that Australian forces should remain in the Gulf until the UNSC 'considered its response to the agreement' and UNSCOM 'tested that agreement, particularly on unfettered access to sensitive sites'.⁴⁴

In March, the Minister for Defence, Ian McLachlan, informed the NSC that the resumed UNSCOM inspections 'had yielded no evidence of weapons of mass destruction'. The NSC noted the 'likelihood' that the Iraqi government would seek to exploit its current cooperation with UNSCOM

⁴³ NAA: A14370, JH1998/46, Cabinet Decisions JH98/0046/CAB/3 and JH98/0046/CAB/5 – Options for Australian military support for United States operations in the Gulf – Without Submission

⁴⁴ NAA: A14370, JH1998/66, Cabinet Decision JH/0066/CAB – Iraq – response to the UN Secretary-General's visit – Without Submission

and 'lack of evidence to discredit UNSCOM and place pressure on the United Nations Security Council to lift sanctions'.⁴⁵

At the beginning of April, the NSC agreed that 'a drawdown of forces in the Gulf to pre-crisis levels would be premature until there is confidence that Iraq will abide by its undertakings'. Those views were to be conveyed to the Clinton administration.⁴⁶ By May, however, Cabinet resolved on a drawdown, although the withdrawn forces were to 'be maintained on shortened notice to move should the Cabinet authorise their return to the Gulf'.⁴⁷

Nuclear tests by India and Pakistan

In the same month that tensions over Iraq temporarily subsided,⁴⁸ the NSC responded to another international flashpoint when India conducted nuclear tests in defiance of the Comprehensive Nuclear-Test-Ban Treaty (CTBT). India's action broke an international moratorium on nuclear testing that had been in place since the United Nations adopted the CTBT in 1996. Australia had played a significant role in negotiating the treaty.

The NSC promptly resolved to 'suspend Australia's defence relationship with India'. This meant cancelling military exercises and ship visits, withdrawing Australian Defence Force personnel on defence exchange and study programs in India, and terminating reciprocal programs involving Indian personnel in Australia.

The NSC also noted 'indications that Pakistan was preparing to conduct a nuclear test' and agreed that the prime minister write to his Pakistani counterpart urging against that action.⁴⁹ Days later it

⁴⁵ NAA: A14370, JH1998/86, Cabinet Decision JH98/0086/NS – Reference copy of Iraq – situation update – Without Submission

⁴⁶ NAA: A14370, JH1998/129, Cabinet Decision JH98/0129/NS – Reference copy of Iraq – future of Coalition – Without Submission

⁴⁷ NAA: A14370, JH1998/171/1, Cabinet Submission JH98/0171 – Considerations of options for Australian military support for United States operations in the Gulf – Decision JH98/0171/CAB

⁴⁸ Iraq's cooperation with UNSCOM deteriorated in the second half of 1998. In November, the United States and United Kingdom again threatened military action, but that was averted when the Iraqi government pledged compliance with UNSC resolutions. However, in the face of further Iraqi intransigence towards UNSCOM, in mid-December the United States and United Kingdom carried out Operation Desert Fox, which involved three days of air strikes for the stated purpose of degrading Iraq's weapons of mass destruction capacity.

⁴⁹ NAA: A14370, JH1998/182, Cabinet Decision JH98/0182/NS – Reference copy of Indian nuclear tests – Australia's policy response – Without Submission

resolved that, should Pakistan proceed with a test, it would face a replica policy response from Australia.⁵⁰ In late May, Pakistan carried out nuclear tests.

Kosovo war aftermath

In June 1999, the government was asked to contribute to a United Nations peacekeeping mission in Kosovo, following the conclusion of an 18-month armed conflict there. The NSC noted the United Nations' request for 'civilian police and military liaison officers', but decided that, 'in light of Australia's existing and prospective commitments of police and Australian Defence Force officers in East Timor, Bougainville and elsewhere', it was not able to assist.⁵¹

The Kosovo war had witnessed mass displacement of Kosovar Albanians by Yugoslavian forces. Despite Cabinet initially declining to offer asylum to any of these refugees, in April it reversed that position under community pressure.⁵² It agreed 'to provide safe haven on a special temporary entry basis' to 4000 displaced Kosovars on the condition that 'to the maximum extent possible under law, there be no presumption of entitlement to financial support ... other than the provision ... of food, lodging, basic health care and the basic necessities of life'. The scheme was also contingent on the Labor opposition supporting special legislation preventing 'entrants ... from applying in Australia to change their status'. The Kosovars were to be initially granted visas of only three months duration.⁵³

East Timorese independence

As indicated by the NSC's rationale for declining to assist in Kosovo, a possible Australian Defence Force deployment to East Timor was another issue occupying the Coalition in the winter of 1999. East Timor's fate was, of course, wrapped up with Indonesia, and concern about that country's economic and political instability had been on the government's radar since the Asian financial crisis. In March 1998, the NSC noted its disquiet 'at recent actions by the Indonesian Government detrimental to restoring international confidence in the Indonesian economy'. It agreed that the prime minister consider writing to President Suharto 'referring to Australia's actions aimed at modifying aspects of the International Monetary Fund package likely to threaten social stability', but also signalling concerns about the composition of Suharto's recently reconstructed government

⁵⁰ NAA: A14370, JH1998/186, Cabinet Decision JH98/0186/CAB – Australia's policy response to possible nuclear test by Pakistan – Without Submission

⁵¹ NAA: A14370, JH1999/159, Cabinet Decisions JH99/0159/NS, JH99/0159/NS/2 and JH99/0159/NS/3 – Reference copy of Kosovo – request for Australian contribution to United Nations Operation – Without Submission

⁵² Rae Wear, 'Political Chronicles: Commonwealth of Australia, January to June 1999', *Australian Journal of Politics and History*, vol.45, no.4, 1999, p. 549

⁵³ NAA: A14370, JH1999/140, Cabinet Decisions JH99/0140/CAB, JH99/0140/CAB/2 and JH99/0140/CAB/3 – Kosovo – Displaced Persons – Without Submission

and its policies.⁵⁴ Just 2 months later, Suharto was forced to resign, ending his three-decade rule over Indonesia.

There is no mention in these Cabinet records of another Howard letter, delivered to Suharto's successor, BJ Habibie, in December 1998, that would be of especial moment in the affairs of East Timor and Indonesia. The letter capitalised on an indication by Habibie that Jakarta was open to granting limited autonomy to East Timor. While affirming Australian support for Indonesian sovereignty, Howard cautiously proposed to Habibie an act of self-determination for the East Timorese following an extended period of autonomy.⁵⁵ Habibie shocked the Australian Government and the international community in January 1999 by announcing that East Timor would be offered a choice between autonomy under Indonesian sovereignty or full independence. By May, agreement was struck between Indonesia, Portugal and the United Nations for an East Timorese ballot on independence.⁵⁶

In the months preceding the August ballot, pro-integrationist elements were responsible for outbreaks of violence in East Timor. It was widely suspected that the Indonesian military was abetting this campaign of intimidation.

The records, however, reveal nothing of Cabinet considerations of the worsening security climate in East Timor, or the possibility of Australian involvement in some form of international peacekeeping intervention. They take up the story on the day of the ballot, 30 August 1999, when Cabinet noted a report of a conversation between Howard and Habibie. The Australian prime minister had 'reaffirmed the responsibility of Indonesian authorities to ensure security and stability in East Timor ... and, in particular, the safety of Australians there'. The leaders had also discussed 'the possible deployment of a United Nations peacekeeping force in East Timor during any transitional phase in the circumstances of a majority vote for independence'.⁵⁷

The ballot result, overwhelmingly favouring independence, was announced in early September 1999. There was an explosion of violence by pro-integrationist militia in East Timor and forced displacement of the population. The records are again silent, however, on Australian Government

⁵⁴ NAA: A14370, JH1998/85, Cabinet Decision JH/98/0085/NS – Reference copy of Indonesia – options for an Australian humanitarian response – Without Submission

⁵⁵ [Text of Prime Minister Howard's letter to President Habibie](#)

⁵⁶ Sources on these events include David Connery, *Crisis Policymaking: Australia and the East Timor crisis of 1999*, ANU Press, Canberra, 2010; James Cotton, *East Timor, Australia and Regional Order: intervention and its aftermath in Southeast Asia*, RoutledgeCurzon, London and New York, 2004; and Clinton Fernandes, *Reluctant Saviour: Australia, Indonesia and the independence of East Timor*, Scribe Publications, Carlton, Vic., 2004

⁵⁷ NAA: A14370, JH1999/158/3, Cabinet Decision JH99/0158/CAB/9 – East Timor – Without Submission

decision-making in the following days, as Australia engaged in feverish diplomatic negotiations, including with the Clinton administration, about enlisting support for a multinational peacekeeping force and obtaining a United Nations mandate for any intervention. Though initially defiant towards international calls for peacekeepers to enter East Timor, Habibie acquiesced to pressure from President Clinton. Backed by UNSC authorisation, by late September the Australian-led International Force East Timor (INTERFET) began deployment.

In October, the NSC approved a \$550 million 'Ad Hoc appropriation' to provide for the increased army and air force resources needed to sustain the East Timor mission. Australia was planning for INTERFET to be replaced by United Nations peacekeepers by February 2000, but the Minister for Defence, John Moore, recommended that 'maximum effort should be made to bring about an earlier transition'.⁵⁸

The same month, Ruddock provided a submission to the NSC in response to a request by the United Nations High Commissioner for Refugees to provide 'safe haven' for a group of 1500 pro-independence East Timorese evacuees in Indonesia. A similar number of East Timorese people had already been given temporary refuge in Australia. The Australian commander of INTERFET, Peter Cosgrove, had indicated that it might be possible to repatriate the second group directly to East Timor's capital, Dili. Nonetheless, Ruddock suggested 'contingency plans' were required 'in case there is an urgent need to take more East Timorese'. Any evacuees would require 'rigorous character checking given the potential for false identities or non bona-fide nominees'.⁵⁹

In November, the NSC agreed that the government work through key ministerial forums, including the Commonwealth Heads of Government and the World Trade Organization, 'to promote international burden sharing' and 'engage donors' for the purpose of encouraging 'bilateral assistance' to East Timor.⁶⁰ This hinted at a longstanding concern in official circles in Australia

⁵⁸ NAA: A14370, JH1999/334, Cabinet Submission JH99/0334 – Australia's defence contribution to the multinational force in East Timor – military planning and cost options – Decisions JH99/0034/NS and JH99/0034/CAB/2. In November 1999, the Howard government announced a rise in the Medicare levy for taxpayers earning over \$50,000 for one financial year beginning in July 2000 to help meet the costs of the East Timor deployment. However, as Peter Costello notes in his memoir, that measure was scrapped in the May 2000 budget. See Rae Wear, 'Political Chronicles: Commonwealth of Australia, July to December 1999', *Australian Journal of Politics and History*, vol. 46, no. 2, 2000, p. 219; and Peter Costello (with Peter Coleman), *The Costello Memoirs: the age of prosperity*, Melbourne University Press, Carlton, Vic., 2008, p. 190

⁵⁹ NAA: A14370, JH1999/333, Cabinet Submission JH99/0333 – Reference copy of Operation Safehaven – East Timor – Decision JH99/0333/NS

⁶⁰ NAA: A14370, JH1999/383, Cabinet Decision JH99/0383/NS – Reference copy of East Timor – International burden sharing – Without Submission

about the prospect of an independent East Timor: that it would be economically unviable and might become a supplicant state in the region.

ENSURING SECURITY AT HOME

ASIO and counterterrorism

With Australia due to host the Olympics in Sydney in 2000 and the Commonwealth Heads of Government Meeting in Brisbane in October 2001,⁶¹ domestic security was high on Cabinet's agenda.

The increased security demands necessitated by these upcoming events provided the context for NSC deliberations in February 1998. The NSC noted that ASIO would 'need to continue to invest strategically in future capacities, especially in telecommunications interception and computer attack'. An accompanying memorandum observed that, while Australia's 'security intelligence environment' was 'more favourable than most countries', there was 'potential for violent extremism'. It added that the 'demands of the Olympics will mean that politically motivated violence, communal violence and sabotage will become ASIO's highest priorities', whereas there would be 'a reduction in present levels of cover in other areas such as espionage, foreign interference'.⁶²

Another memorandum presented to the NSC that month dealt with strengthening ASIO's counterterrorism Technical Support Unit (TSU). The unit had been created in 1981 to 'collect information by covert technical means' to help resolve terrorist incidents. Its proposed upgrade was to enable 'greatly improved quality and timeliness in the collection of tactical intelligence at an incident site' and to ensure it could 'meet the threat from sophisticated capabilities now available to terrorists'. The memorandum stated that a serious terrorist incident would 'almost certainly be beyond the capacities of states to handle alone' and that the TSU would be 'the most likely Commonwealth resource to be immediately called upon'.⁶³

In February, the NSC also approved the preparation of a Bill to amend the *Australian Security Intelligence Organisation Act 1979*. The Bill would, among other things, authorise the organisation 'to access remotely data in computers', 'use tracking devices under warrant' and supply 'security assessments in relation to the Olympics directly to State and Territory authorities'. The Attorney-General, Daryl Williams, noted that the amendments would 'make ASIO more effective in the lead

⁶¹ As a consequence of the 11 September 2001 attacks on the United States, this meeting was postponed until March 2002. The rescheduled gathering was held in Coolumb, Queensland.

⁶² NAA: A14370, JH1998/35, Cabinet Memorandum JH98/0035 – Reference copy of Security Intelligence planning document 1997 – Decision JH98/0035/NS

⁶³ NAA: A14370, JH1998/37, Cabinet Memorandum JH98/0037 – Reference copy of New Policy Proposal for update of the Specialised National Counter-Terrorism Technical Support Unit – Decision JH98/0037/NS

up to the Sydney 2000 Olympics'. It was estimated that the organisation would be 'asked to provide up to 60,000 security assessments on people involved in all aspects of the Olympics'.⁶⁴

Immigration control

In early 1998, Cabinet was asked to address security-related concerns in immigration control. In 1997, the government had given the green light to a Bill to amend the *Migration Act 1958*. The Minister for Immigration and Multicultural Affairs, Philip Ruddock, explained in a January 1998 submission that the Bill was designed to 'strengthen our ability to deal with visa applications and [visa] cancellations on character grounds'.

It had emerged, though, that the Bill, which was still before the Senate, had potential unforeseen consequences. Information supplied to the government by relevant intelligence agencies could not 'easily be kept from legal counsel representing the parties in a court of law' in the event of an appeal against the refusal or cancellation of a visa. This threatened the scheme's viability since those agencies had 'indicated that detailed intelligence information will be only be provided to my Department if it is protected'.

Accordingly, Ruddock recommended further legislative changes. These would empower the government to seek orders from the Federal Court to 'prevent dissemination of protected information in the visa decision process to the applicant or to the applicant's legal counsel'. Should an order be declined, the minister would be able 'to withdraw the information' and any release would 'attract severe penalties'. Ruddock told colleagues that his proposal was 'based on the belief that the national interest in protecting sources of confidential information used to combat terrorism and organised crime properly outweigh the public interest that a party to litigation should know the case against them'.

Cabinet approved the proposed additional amendments, albeit with modifications – such as reducing the penalty for disclosure of protected information to two years (rather than the five years suggested by Ruddock).⁶⁵

The trend towards the securitisation of Ruddock's portfolio area was further highlighted in November 1999. Cabinet agreed that the prime minister establish a taskforce to enquire into 'the adequacy of Australian coastal surveillance arrangements and associated intelligence gathering' in

⁶⁴ NAA: A14370, JH1998/42, Cabinet Submission JH98/0042 – Amendments to the Australian Security Intelligence Organisation (ASIO) Act 1979 and the Financial Transaction Reports Act 1988 – Decision JH/0042/NS

⁶⁵ NAA: A14370, JH1998/34, Cabinet Submission JH98/0034 – Migration Legislation Amendment (Strengthening of Provisions Relating to Character and Conduct) Bill 1997 (MLA (SPRCC) Bill 1997) – Decision JH98/0034/CAB

relation to border protection. This came in the wake of the ‘illegal landing of immigrants at Cairns and Nambucca Heads’.⁶⁶

Regulating Australia’s security agencies

The Coalition also wrestled with devising an oversight regime for the Australian Secret Intelligence Service (ASIS). Placing ASIS on a statutory footing and making it accountable to parliament had been key recommendations of the Commission of Inquiry into the

Australian Secret Intelligence Service. Led by Gordon Samuels, the inquiry had released its report in 1995. As early as July 1996, the Howard government’s NSC had resolved that legislation be prepared to give effect to those recommendations.⁶⁷

The matter then stalled, raising the possibility of resistance within the intelligence community. The lack of progress was confirmed when, in June 1998, the NSC agreed that Alexander Downer ‘announce at an appropriate time the Government’s in-principle support for putting ASIS on a statutory footing’ and that the government was ‘reviewing options for achieving that outcome’.⁶⁸ Further delay followed.

In December 1999, the NSC confirmed a decision it had made that June for the creation of a statutory parliamentary committee to supervise the activities of both ASIS and ASIO. The new body would replace the existing parliamentary joint committee on ASIO. Its chief function would be ‘to review the administration and expenditure’ of the organisations. On the other hand, it would be explicitly barred from scrutinising their ‘intelligence priorities’ or ‘the sources and methods of intelligence gathering and production, specific operations that have been, or are proposed to be, undertaken by ASIS or ASIO’.

In their submission, Downer and Williams observed the need for ‘careful balancing’ of the imperatives that the agencies be ‘accountable to Parliament’ and that they ‘operate in secrecy’. The submission also considered options for appointing the parliamentary committee. One of these was that it be handpicked by the prime minister after consultation with the opposition leader, which was how the comparable body was appointed in the United Kingdom. However, the ministers believed such a practice would be ‘politically difficult in Australia’ and ‘combined with the power to

⁶⁶ NAA: A14370, JH1999/149, Cabinet Decisions JH99/0149/CAB and JH99/0149/CAB/2 – Unauthorised boat arrivals – Without Submission

⁶⁷ NAA: A14370, JH1996/328, Cabinet Submission JH96/0328 – Australian Secret Intelligence Service (ASIS) legislation – Decision JH96/0328/NS

⁶⁸ NAA: A14370, JH1998/201, Cabinet Submission JH98/0201 – Reference copy of Review of options on legislative and related reforms arising from the Samuels Commission of Inquiry into ASIS – Decision JH98/0201/NS

prevent consideration of particular matters, may be perceived as compromising the independence of the committee'.⁶⁹

SHAPING THE NATION

Education reform

Education reform was a major policy focus for the Howard government during 1998 and 1999. It was a politically delicate area. In April 1998, a two-year review of higher education chaired by Roderick West published its final report. In a discussion paper the previous November, the review had flagged support for university student vouchers, deregulation of university tuition fees and a HECS-style system for TAFE.

Following Cabinet discussion, the Minister for Employment, Education, Training and Youth Affairs, David Kemp, had distanced the government from these options. In a submission a fortnight before the final report's release, Kemp indicated that the review had persisted in advocating 'for the eventual close linking of funding mechanisms to the exercise of user choice'. He believed the government's response should 'avoid having to rule out now measures which we may later wish to pursue'. Kemp proposed that the government announce an intention to provide a 'considered response' to the review's recommendations following consultations with the universities 'about strengthening the links between student choice and funding mechanisms that do not involve vouchers'.

Kemp also suggested that the government 'go on the front foot' on fee deregulation by publicly arguing that its current reluctance to pursue that action was because it was unwilling to grant the universities licence to 'pay their staff higher salaries while not efficiently managing their costs'. Both Finance and Administration and Treasury were concerned that any statement about fee deregulation not foreclose that policy option. Cabinet resolved that Kemp issue a statement on the West Report after consulting the prime minister. However, the parameters it laid down for his response suggested that they were inclined to disassociate the government from its politically contentious recommendations.⁷⁰

In December 1998, Cabinet entered another controversial area in higher education by agreeing on measures to 'eliminate compulsory student unionism and allow students freedom of association'. In his submission supporting that position, Kemp observed that voluntary student unionism was a long-cherished Coalition objective. In outlining options for the abolition of compulsory student unionism, however, he recommended that universities still be allowed to charge students 'a compulsory fee for general services'. Otherwise, Kemp suggested, there would be 'a reduction in

⁶⁹ NAA: A14370, JH1999/436, Cabinet Submission JH99/0436 – Reference copy of Parliamentary Oversight Committee for the Australian Secret Intelligence Service (ASIS) and the Australian Security Intelligence Organisation (ASIO) – Decision JH99/0436/NS

⁷⁰ NAA: A14370, JH1998/0121, Cabinet Submission JH98/0121 – Handling the West Report on Higher Education – Decision JH98/0121/CAB

student services' and resistance from 'universities and regional communities'. On this occasion, Cabinet went further than Kemp proposed. It decided that universities should be barred from 'collecting any compulsory fee not directly related to' education provision.⁷¹

In April 1999, Cabinet resolved to significantly reform Australian Government financing of non-government schools, agreeing to a new mechanism for determining funding entitlement. The Education Resource Index (ERI) was to be replaced by a model based on the socio-economic status (SES) of the school community. In advocating the change, Kemp noted that the Coalition had pledged to review the ERI at the 1996 election. According to Kemp, that model 'no longer' had 'integrity or credibility'. It was 'subject to manipulation', with schools 'setting fees at just the level that will maximise Commonwealth funding'. By contrast, the SES model would be 'a more equitable and transparent mechanism for assessment of need, to enable parents to exercise choice and to remove disincentives to private investment'. Yet Kemp acknowledged that there were 'considerable sensitivities involved' in the proposed funding change and that 'additional outlays' were required to smooth the transition. Cabinet concurred. It decided on 'a funding guarantee' for those schools 'which would otherwise be financially disadvantaged' by the SES model and extra funding of more than \$500 million between 2001 and 2004.⁷²

Drugs strategy

The Coalition persisted with a mostly hardline position on illicit drugs. In formulating the 1998–99 Budget, the ERC agreed to funding of \$100 million over four years for a second instalment of the Australian Government's National Illicit Drug Strategy (NIDS). The strategy had first been announced by the prime minister in November 1997, with initial funding of \$87.5 million over three years. The second funding tranche was to be dedicated to measures such as upgraded non-government treatment services, a community education campaign, new Australian Federal Police posts in China and Vietnam, and the expansion of a multi-agency program for investigating South-East Asian organised crime.⁷³

In March 1999, Cabinet further agreed on a substantial package for the Council of Australian Governments, 'with a clear message about the unacceptability of illicit drugs'. In doing so, it considered a memorandum prepared by a taskforce on drugs policy. Convened by the prime minister, the taskforce noted that, notwithstanding 'progress in implementing many NIDS initiatives,

⁷¹ NAA: A14370, JH1998/366, Cabinet Submission JH98/0366 – Voluntary student unionism – Decision JH98/0366/CAB

⁷² NAA: A14370, JH1999/109, Cabinet Submission JH99/0109 – Funding for Schools – 2001 to 2004 Quadrennium – Decisions JH99/0109/CAB, JH99/0109/CAB/2, JH99/0109/CAB/3 and JH99/0109/CAB/4

⁷³ NAA: A14370, JH1998/54, Cabinet Submission JH98/0054 – National Illicit Drug Strategy (NIDS) – supply reduction, demand reduction and harm minimisation – proposed second instalment and progress with the first instalment – Decisions JH98/0054/ER (Amended) and JH98/0054/CAB/2

trend survey data suggests that illicit drug use is increasing'.⁷⁴ Cabinet was not discouraged, however. In December 1999, in the context of plans by the New South Wales government to establish a medically supervised injecting room in Sydney, it agreed that Howard write to the Labor state premier, Bob Carr, conveying his 'strong and consistent reservations'. The prime minister was to urge against proceeding with such a facility until the Australian Government considered the implications, including whether it would contravene 'Australia's international obligations'.⁷⁵

Republic referendum

A Constitutional Convention held in February 1998 recommended that a referendum be held the following year to decide whether Australia should become a republic. Cabinet was required to grapple with a range of issues including the timing of the referendum, the provision of public funding for the opposing cases, and the design of the questions. One of the thorniest matters concerned the process for crafting a new preamble to the Constitution, another of the recommendations of the Constitutional Convention. In a November 1998 submission, the Attorney-General, Daryl Williams, and the Special Minister of State, Chris Ellison, observed that the matter required 'careful consideration' since the wording could engender 'considerable controversy' and there might 'be an expectation of significant public involvement'. They warned against broad public consultation because it 'could potentially prove decisive, highlighting areas of disagreement or promoting expectations for forms of words which are not acceptable to the Government'.⁷⁶ Instead, the prime minister was to be given the lead hand in drafting the preamble.

THE HOWARD GOVERNMENT REDUX

On the cusp of the next millennium, the years 1998 and 1999 were a time of reflection on the past and of anticipation of new beginnings. *Fin de siècle* was the term appropriated from the end of the nineteenth century for this moment of transition. For the Howard government, however, a new dawn arrived early. Just two years on from the shakiness of 1997, a second term had been won and the nation's finances returned to black. The Coalition had unequivocally established its reform credentials through the comprehensive tax system overhaul. While this would only be fully appreciated in hindsight, the East Timor intervention was a watershed in the government discarding its early uneasiness in the arena of international relations and elevating national security

⁷⁴ NAA: A14370, JH1999/122, Cabinet Memorandum JH99/0122 – Report of the Task Force on Commonwealth Approach to Illicit Drugs – Initiatives for early intervention and diversion – Decision JH99/0122/CAB

⁷⁵ NAA: A14370, JH1999/457, Cabinet Decisions JH99/0457/CAB and JH99/0457/CAB/2 – Safe injecting rooms – correspondence from the International Narcotics Control Board – Without Submission

⁷⁶ NAA: A14370, JH1998/356/1, Cabinet Submission JH98/0356 – Preparations for the November 1999 referendum on the republic – Decisions JH98/0356/CAB and JH98/0356/CAB/2

to centrestage.⁷⁷ One scholar writing about the period from 1998 to 2001 argues that this was ‘the “sweet spot” for the Howard Government in terms of its ability to set the policy agenda’.⁷⁸

In its first years of office, the Coalition’s decision-making was sometimes characterised by an unbecoming pugnacity that was perhaps symptomatic of the government’s rawness. The 1998 and 1999 Cabinet records suggest greater equanimity of temperament, although the prime minister and his colleagues remained no less resolute in their worldview. It surely helped the government’s composure that the membership of Cabinet had been largely stable since 1996 and that the senior ministers were well settled into their respective portfolios. The records also point to significant centralisation. The ERC and NSC were the site of many key decisions while, if measured by the records released for this period, some pressing matters also appear to have skirted Cabinet. If this had potentially troubling implications, what is seen of the decision-making indicates discipline and order. In sum, this was a government grown confident and comfortable in its own skin. There was little room, however, for complacency. Tax reform was still to be bedded down and the security environment was becoming more volatile. These would be important influences on the next twists in the government’s fortunes.

⁷⁷ For this point see Michael Wesley, ‘Managing the Region: the Coalition approach’ in Tom Frame (ed.), *Back from the Brink, 1997–2001: the Howard government, Volume II*. Sydney: UNSW Press, 2018, pp.199–210

⁷⁸ Anne Tiernan, ‘Staffing the PM’s Office: a key to national leadership’ in Tom Frame (ed.), *Back from the Brink, 1997–2001: the Howard government, Volume II*. Sydney: UNSW Press, 2018, p. 97

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