

# Knowing when to fold is part of the game

**Y**OU gotta know when to hold 'em and know when to fold 'em" was the advice of the Gambler in the old Kenny Rogers song.

Trying to get Budget measures through a hostile Senate is a bit of a gamble. And Kenny Rogers' Gambler had some good advice. Some things can be taken to the wire — that's when you hold 'em. And there are times when you just have to cut your losses and fold 'em if you want to fight another day.

The Budget announced by the Government last May was a determined attempt to cut spending after the explosion of the Rudd-Gillard-Rudd years.

Most of the changes that had to take effect this year have been legislated. Some changes that are not due to take effect for a few years' time — some even after the next election — have not appeared in legislation yet.

They have not been rejected in the Senate. They haven't even got



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there; for example, changes to pensions due to take effect on September 1, 2017.

But then there are the changes the Government wanted to get in place for the coming financial year starting on July 1. It has been trying, without success, to change higher education fees and to introduce a co-payment to visit a doctor.

Those measures are being stymied by the Senate. Political argument raged over these issues for most of last year.

The Government has dropped the idea of putting a real interest rate on higher education loans. It was a bad idea anyway. It surprised me that anyone ever thought it was a good idea. Sometimes a

government will roll up a proposal as a bargaining chip that it can exchange for something far more important. I hope that was the tactic here. Now it has got rid of that silly idea it can have another go at fee deregulation.

Then there is the co-payment. Economic hardheads have wanted a co-payment for a doctor visit ever since Labor deputy prime minister Brian Howe introduced one in 1991. The \$2.50 fee became a casualty of Paul Keating's bid to wrest the Labor leadership from Bob Hawke. He got votes in the caucus by promising to get rid of it. When he succeeded, the co-payment was abolished in March 1992. Ever since it has been an article of Labor faith that there can never be a co-payment, not now and not for any amount.

When I became treasurer I wanted to reintroduce a co-payment in 1996. But there was a hostile Senate and soundings of the key people that mattered made me realise there was no hope of ever getting it through the Senate. We



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dropped the idea. There is no point letting your opponents beat you up over something that will never happen.

It was a brave idea to bring the proposal back in the 2014 Budget. The Government announced a \$7 fee. I guess it was worth a try given that on July 1 there was a new Senate to be sworn in.

**B**UT it soon became clear that the voters that mattered — Clive Palmer's senators — were not going to pass it. Once that became clear, there was no point in the Coalition beating itself up, or allowing its opponents to beat it, up over something that was never going to happen. You got to know when to fold 'em.

I suggested at the beginning of August last year that the \$7 co-payment was dead in the Senate and the Coalition might as well drop it. The Government described that as "bad advice". It persisted with the proposal for another four months. It persisted with it through the Victorian state election. It gave

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its opponents a field day. And then it dropped it on December 9, 2014.

On December 9 it also announced a new measure to cut the rebate for short doctor consultations by \$20. That issue festered over summer. When it became clear it would not pass the Senate, the Government dropped it on January 15.

It was right to drop it and right to drop it quickly. It showed the Government is getting better at political management and faster in its response times. When you have to stop the bleeding it is better to do it earlier rather than later.

If the Government makes anything completely free, there is a risk some people will overuse it. You can't see a lawyer for free, or an accountant, or a dentist. But you

can see a doctor for free. There is a risk some people, in those circumstances, will visit a doctor more than is necessary. A small contribution — \$2.50 as Brian Howe thought, or \$7 as Tony Abbott thought — might make them think about it.

To be effective, a price signal must affect everyone, including pensioners who are as prone to overuse medical services (perhaps more) as any other. We do it for pharmaceuticals. There is no reason not to do it for doctors. That is good policy.

But for historical reasons — going back to the day Keating threw aside the principle for populism — it has become a no-go zone. Unless Labor and the Greens change their minds on that, it will never happen.

And that is the trouble. We must deal with the world as it is, not the world as we would like it to be. That's politics.

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