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# Political overview

As Australia enters an election year in 2007, Ken Wiltshire examines the prospects for a long-established Coalition and an Opposition that has again rolled the leadership dice.



## RETROSPECT 2006

Politically, 2006 was a very curious and topsy-turvy year. There was a phase where the driving forces appeared to be the price of bananas and the deprecations of the orange-bellied parrot, and for a nation that has never experienced a civil war there were plenty of domestic skirmishes, including culture, literacy, and history wars. By the end of the year both the government and the Opposition had changed their policy stances on a wide range of issues.

### The defining moment

The defining moment in Australian politics occurred on 31 July 2006 when Prime Minister John Howard, in response to yet another effort to revive a transition of leadership to his Deputy Peter Costello, announced that he would be staying on as leader to fight the 2007 election. Until that episode, anecdotal evidence was that Howard would most likely step down in late 2006. However, having been forced to take stock, he argued that his party and the Australian people wanted the status quo to continue, with himself as

Prime Minister and Costello as Treasurer. Opinion polls and backbencher sentiment at the time vindicated his judgement.

From this moment the Australian political dynamic changed perceptibly. Howard had effectively started the election campaign, and in the same breath had put himself on notice that he would have to win the election. Almost immediately he became even more pragmatic than usual, and more flexible in policy considerations, especially in relation to issues that could divide his own Coalition.

For Kim Beazley and the ALP, Howard's decision was clearly not what they had wanted, despite their claims to the contrary, but at least they now knew the lay of the battleground and could design appropriate tactics. Early in 2006 Beazley too was put on notice by the ALP factions and some of the union movement, and so endeavoured to change his image and style – no more Mr Nice Guy.

Thus arose the spectre of two leaders both desperate for a win in 2007; both presiding over teams which had become much fractured since the 2004 election.

“... [Howard] became more pragmatic than usual ...”

### Coalition capers

The year 2006 saw the continuation of the political trend apparent since the last election, when the focus of attention fell on the backbenchers of the Coalition parties because the Coalition holds the balance of power in the Senate with a majority of only one seat. Consequently, Coalition harmony is crucial for the passage of legislation and implementation of public policy, particularly when dealing with politically difficult matters.

The Prime Minister and his cabinet team have become familiar with the need to negotiate with dissident National Party backbenchers to obtain the passage of legislation or, if this is not totally successful, to negotiate the support of Family First's Senator Fielding. But 2006 saw some Liberal backbenchers from both Houses also prepared to cross the floor. In addition, the PM was obliged to allow conscience votes on selected matters.

Legislation that had to be amended significantly during the year, as a result of Coalition fragmentation, included voluntary student unionism in universities, cross-media ownership, Telstra privatisation, mergers and the role of the Australian Competition and Consumer Commission (ACCC). Legislation that was withdrawn, or defeated by allowing a conscience vote, or through crossing the floor by government backbenchers, included decision-making on the abortion drug RU 486, offshore processing of asylum seekers, and the privatisation of the Snowy Mountains hydro scheme. Legislation to override the ACT government's civil union Bill was passed, but caused some ruction in the Coalition and division on the floor of Parliament, and the workplace relations legislation, especially relating to independent contractors, produced internal division of opinion as well. Towards the end of 2006 other matters loomed that promised to cause further fracturing of Coalition solidarity. These included a potential trade agreement with China, stem cell research, breaking up the single desk for wheat exports and the Australian Wheat Board (AWB), and the elimination of perceived legal discrimination against same sex couples.

Coalition tension also came through other developments. Foremost of these was an unsuccessful move by the Queensland Liberal and National parties to undertake a merger that would have seen the Nationals join the Liberals. Despite having some support at the state level, the federal members of both parties moved quickly to quash it because of fears it would destabilise the Coalition at a national level. Not long after, National federal backbencher Julian McGauran defected to the Liberals, triggering off a cabinet reshuffle that saw the Nationals lose one cabinet spot and reopened old Coalition wounds, with many Liberals pointing out that their party actually holds more

regional seats than the Nationals and that there is a secular decline in the Nationals' vote and representation. Towards the end of 2006 a fracas broke out over the New South Wales Senate ticket and some potential three-cornered contests in other states forced the Prime Minister to intervene to keep the peace. Both the Liberals and Nationals experienced some unseemly fights over preselections, with accusations of branch stacking and stripping, and some sitting members were displaced – an unusual event. Nationals leader Mark Vaile switched from his Trade portfolio to Transport and Regional Services so that he could spend more time in the country overseeing his party in the run-up to the election.

### Labor turbulence

In this mid-election year, in which Labor might well have taken the opportunity to revise policies, build unity, and lay the groundwork for the very important election battle, the opportunity was largely wasted.

Early in the year there was strong talk of yet another challenge to Labor leader Kim Beazley, with polls showing him to be only the third most popular person to lead the party. Having reportedly been put on notice by his backbenchers and the union movement to lift his game and become more forceful, he soon complied with some very strong stands on policy issues. These included promising to "rip up" the Australian Workplace Agreements (AWAs) under the Coalition government's workplace relations laws, bringing troops home from Iraq, and revising Labor's three uranium mines policy. In response to Costello's budget, he pledged a "pact with middle Australia", which incorporated increased spending on training, banning foreign apprentices, spending \$2.8 billion on a high-speed fibre optic network as a joint venture with telcos, including a fibre-to-the-node broadband network; he also pledged to cut the nation's greenhouse gas emissions by 60 per cent by 2050, establish an emissions trading scheme, sign the Kyoto protocol, fund solar energy and give a subsidy of \$2,000 for hybrid cars. Regarding innovation policy, he pledged to establish a new ministry or unit within the Prime Minister's Department for the commercialisation of innovative products and technologies. The new-look Beazley seemed to have arrived.

However the leader and his party continued to receive flak from within, with the release of two books that were collections from Labor authors attacking the structural and tactical weakness of the party, especially the dysfunctionality caused by the factions and their grip over preselections and policy-making. The autobiography of former party president Barry Jones portrayed Beazley as an ultra conservative, favouring the "small target" approach

to the detriment of the party's image and standing in the electorate. Indeed, the party's presidency was much in focus as many Labor members wondered out loud why all party members could vote for the presidency but not in local preselection of candidates and formulation of policies. In the 2006 election for party presidents to serve for the next three years, under Labor's rotating presidency system, there were allegations of factional influence and even vote-rigging to deny former leader Simon Crean a spot. This came on top of the life and death struggle he had experienced to win preselection for his own seat at the hand of the factions, an experience repeated in several Labor seats. Meanwhile current party president Warren Mundine looked on in dismay as the West Australian Labor government announced it would lodge an appeal against the Noongar decision of the Federal Court granting Native title in Perth.

These developments overshadowed the series of solid 2006 Labor wins in state elections in Tasmania, South Australia, Western Australia, Northern Territory, Queensland and Victoria, although inept Oppositions were clearly also a factor in all cases.

Consequently, it is remarkable that Labor had such a good year in the opinion polls, being ahead of the Coalition for most of the year. To some extent this was because of the unpopularity of

some of the government's measures and the tendency for people to lodge a protest or park their vote outside of the election period proper. However, it also reflected the effectiveness of Labor's parliamentary tactics in focusing on, and targeting, government policy and performance in controversial arenas such as the AWB scandal, the Iraq war, petrol prices, and the perennial topic of interest rates.

So the challenge to Beazley's leadership from Kevin Rudd and Julia Gillard in early December came as a bolt from the blue, since Beazley had given a solid performance to that point despite the occasional human stumble.

### **Wedging and dog whistling**

The year 2006 saw the further refinement of political techniques being used in Australia that have become common in North America and Europe. These have been branded by journalists as "wedging" – running hard on issues which you know will divide your opposition – and "dog whistling" – sending subtle or coded messages that do not spell out a specific stance on issues but appeal to the value base of your supporters and challenge your opponents to indicate where they stand.

In 2006 this became a prominent feature of

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”



PHOTO: AAP IMAGE

government tactics, putting the ALP on notice. Wedging came directly or indirectly as a result of the Prime Minister's stance on uranium mining and enrichment, and even the possibility of nuclear power for Australia – issues that have traditionally divided Labor. Beazley responded by announcing he would call for a review at the 2007 Labor national conference of its three mines policy, though eschewing enrichment and nuclear power. The move triggered off a great deal of internal disagreement in the ALP between unions, premiers, federal shadow ministers, and several backbenchers. The issue even figured in the vote for the ALP national presidency, as some candidates were pro- and some anti-uranium mining and enrichment.

Other wedging issues included workplace relations, which saw Labor premiers reluctant to follow Beazley's lead in totally abolishing AWAs, and differences in policy between the union movement and the ALP stance; education, in which the federal party was noticeably muffled in its response to Howard government moves on curriculum, especially literacy and history, while Labor states were vociferously in opposition; funding of school chaplains; Native title, where several Labor states were supportive of a challenge to the Noongar decision but various senior federal officials were opposed; and climate change and water policy, which saw divisions between resource-rich Labor states and environmental advocates in the party.

Most of the dog whistling of 2006 emanated from culturally-related government moves such as treatment of asylum seekers, an admonition to migrants that they needed to assimilate Australian customs and language; the possibility of a cultural/language test for immigrants seeking citizenship or permanent residency, and for them to adopt Australian values; and work visas for skilled itinerant workers. Howard and his cabinet ministers also took a tough stance against some episodes of violence and incendiary statements from Muslim leaders. The emphasis in mainstream political debate has clearly shifted from multiculturalism to integration. All of these issues appealed to the patriotic and xenophobic streak that is never far below the surface in Australian life. Kim Beazley moved quickly on just about all of these issues to align himself with the government's stance

on content if not solutions, even outdoing the government by calling for tests for all visitors to Australia, and often alienating some within his own party (Table 1).

## Issues in 2006

### International relations

As in 2005, the year was dominated by numerous issues in international relations relating to security, diplomacy and trade. The US/UK alliances, the war in Iraq, and the war on terrorism were the most pervasive issues. The oil for food scandal dominated the political agenda for much of 2006 with the Opposition keenly following the Cole Inquiry into the role of the AWB, whose report was eagerly awaited.

John Howard was much fêted on his visit to Washington (despite being described by George W. Bush as “not good looking”). Howard also called in on newly installed Canadian Conservative PM Stephen Harper, and British PM Tony Blair conducted an impressive visit to Australia. By year's end the Australian government, like most of its allies, was contemplating exit strategies from Iraq largely in response to public opinion and certain militarists' observations, though the fight against terrorism remained central to the alliances.

China and India were also uppermost in bilateral relations, especially in the context of the resources boom, including controversial suggestions for exporting uranium to them, provided nuclear safeguards were met. Indeed, nuclear issues were prominent throughout the year, especially when North Korea detonated a nuclear weapon. Australia quickly joined regional condemnation of the regime and supported sanctions at the UN and bilaterally. Foreign Minister Downer decided, on balance, to maintain mutual diplomatic representation with the rogue state to keep communications open.

The breakdown of the WTO deliberations of the Doha round was a bitter disappointment despite efforts by Australia to revive the momentum in the face of largely European intransigence. However, bilateral negotiations for trade agreements continued with China, India, Japan, and Thailand until the military coup there.

Relations with the South Pacific, particularly Melanesian states, continued to be a headache for the government throughout the year. Violence and intransigence in the Solomon Islands, outbreaks of unrest in East Timor and Fiji, and contretemps with Papua New Guinea, tested the government's military resource capacity and diplomacy. The government was accused of being a bully, but held to the line that aid money would depend on reforms of governance in recipient countries.

The arrival of asylum seekers from Papua triggered further debates about border security and the government attempted to amend legislation to

**Table 1**  
Should more uranium mines operate in Australia?

	OCT 2005	JUNE 2006	JULY 2006
	%	%	%
Yes	23	25	38
No	70	65	51
Cant say	7	10	11

Source: Morgan Poll October 2006



PHOTO: AAP IMAGE

increase offshore processing of refugees. Concerns were raised that the government's response was being dictated by a desire to appease Indonesia, despite the government's assurance that it was not advocating Papuan independence, but the legislation was eventually withdrawn after threats were made to cross the floor by Melbourne MP Petro Georgiou and others. In the event, toward year's end Australia signed a security pact with Indonesia promising more stability in the bilateral relationship.

Towards the end of 2006 Defence Minister Brendan Nelson announced a substantial strengthening of Australia's military forces in response to the international security situation and Australia's involvement in many fronts, including the Pacific. Nelson also announced Australia's biggest defence purchase – the US joint strike fighter.

#### Taxation and interest rates

The 2006 federal budget featured significant personal income tax cuts across the board, including the top rate, very generous superannuation arrangements and a family emphasis. The big winners were higher income earners in the non-election year. The main criticism of the budget related to confusion over welfare to work tax impacts, inadequate attention to the skills shortage and little relief in company taxation. Peter Costello took personal credit for the baby boom that has been evident.

The government failed to receive any bounce in

the polls from the budget, most probably because the high price of petrol and higher interest rates immediately absorbed a goodly proportion of the tax cuts. There was also some evidence from the polls that Australians nowadays simply expect tax cuts when the government is running such large surpluses; they also spend rather than save them, thus contributing to further inflation. Polls also revealed that voters were more concerned about rising petrol prices than interest rates.

Treasurer Peter Costello also announced that all government net debt had been paid off, but this was cold comfort to home-owners and buyers facing interest rate rises from the Reserve Bank's decisions courtesy of the departing Governor Ian McFarlane. The irony of the causes of interest rate rises lying in a strong economy with continuing growth, a tight labour market delivering record unemployment figures, and the clear tendency of Australians to spend rather than save their tax cuts, was not lost on commentators and it signalled a new conundrum in Australian politics. However, this did not stop the Opposition from capitalising on the higher interest rates. Labor did not oppose the tax cuts, even though they clearly favoured the wealthy even more than in past budgets when Labor Opposition had taken such action. Kim Beazley seemed content to describe the tax cuts as modest and overdue, and supported them.

Later in the year Costello abolished the 3 cents per kg sugar levy which had been imposed three years earlier to support the ailing sugar industry.

“The US/UK alliances, the war in Iraq and the war of terrorism were the most pervasive issues.”

### Workplace relations

This remained a major issue throughout the year as the union movement and the Opposition mounted a fierce attack on the government's new laws. As previously noted, Beazley promised to rip up all AWAs, and received an immediate boost in the polls. Towards the end of the year the union movement was cajoling Labor to accept its policy of increasing the minimum number of conditions from five to ten, shift all powers back to the Australian Industrial Relations Commission (AIRC), restore union rights on the shop floor, and abolish the machinery created by the Howard government. Later in the year, in a speech to the ACTU Congress, Beazley moved closer to the union position by promising "good faith" bargaining, and scrapping employer greenfield agreements. At the same Congress the union movement flagged policy to force employers to contribute to employee superannuation up to 15 per cent of incomes, which went down like a lead balloon with employers.

For its part the government "fine-tuned" the laws, introduced somewhat controversial exemptions for independent contractors, and awaited the first ruling from its new Fair Pay Commission. When it came in late October it was an unexpected political gift for the government, granting amounts close to what the unions had been seeking, recognising the disadvantage of the lowest paid workers, and causing angst among employer groups. This seemed to remove most of the previous contention from the unions and Opposition that the Howard government's new industrial machinery would not be independent, and some commentators reckoned the pay rise was higher than the AIRC would have granted.

Once again the political debate was clouded by miscommunication on both sides, the government focusing on benefits to the economy overall, and the Opposition focusing on individual cases of discrimination and fears for the security and welfare of workers. When several employers were prosecuted under the new laws the political waters became muddied. By year's end the data showed that there had been a significant take-up of AWAs among small businesses, as well as the resources sector, but a slower rate among larger employers where collective agreements remained in the majority.

### Climate change, water and energy

The year saw the Australian government take a stronger role in these arenas with a higher profile for Malcolm Turnbull as spokesman on water, and an upgrading of his task to near portfolio status. The government made available National Water Initiative funding of \$2 billion for state bidding for large-scale water projects. Turnbull lashed the states for their perceived neglect, especially after a

national water audit revealed much inaction, and took particular interest in the Murray–Darling problems, potential water trading regimes, and optimal solutions for different regions. A water summit on the Murray–Darling issues ensued.

The two main political turning points in the whole debate were Turnbull's explicit linking of water problems to climate change, and the Prime Minister's later acknowledgement of the importance of climate change and emissions as issues, albeit mainly from a security perspective. Then John Howard also based his advocacy of nuclear energy on the fact that it was "clean and green". Suddenly the Howard government were officially recognising these environmental concerns, which the Opposition and minor parties had been addressing for some time.

Alternative and renewable energy sources figured prominently during 2006, with solar and wind receiving national and state funding, NSW actually announcing renewable energy targets, a strong debate on ethanol and the need to develop clean technology, especially for coal, and implementation of a true national energy market. Parliamentary Secretary Greg Hunt promised there would be no carbon tax on business, and John Howard and Peter Costello warmed to the idea of carbon emissions trading regimes. The Prime Minister also championed a post-Kyoto approach to climate change, pushing an Asia–Pacific approach at the APEC Forum in Vietnam. WA Premier Alan Carpenter caused a slight ruckus in the energy industry when he introduced measures to ensure 15 per cent of LPG production would be kept for use in his state.

### Privatisation and PPPs

The further sell-off of Telstra was a political debacle of the first order, featuring a combative Telstra CEO and his compliant board, confrontation between regulator ACCC and the Telco, uncertainty about the potential role of the Future Fund, which would receive the proceeds of the sale, concern from National Party backbenchers about protection for the bush, and a resultant precarious share price which naturally reflected all this mayhem. Guarantees from the Finance Minister Nick Minchin as to the future dividend stream, incentives to invest, appointment of Geoffrey Cousins to the Telstra board by the government, and a moratorium on Future Fund further sales, seemed to have done the trick by year's end and probably saved the government from a backlash, especially from the small investors in earlier Telstra floats. The whole episode revealed curious behaviour from CEO Sol Trujillo and his senior management group, who appeared to create interminable political obstacles to the sale that they presumably wanted to happen, and an ambiguous posture from the government, which seemed to be prepared to

exercise its power as majority owner on some matters but not on others.

Two other decisions were just as politically controversial and cost the government support. One was the attempt to sell the Snowy Mountains hydro scheme, which operates as a partnership between the Commonwealth and the states of NSW and Victoria. The sale process was mooted by NSW, but the Commonwealth then drove the process right through to the offering of a prospectus with much publicity, only to see the Coalition party room express significant unease and local groups mount a fierce lobbying campaign, resulting in the government abandoning the sale. The message is that Australian icons cannot be tampered with lightly, as John Howard himself admitted when he pulled the legislation from the parliamentary timetable. Then the long awaited attempt to sell Medibank Private was proposed, setting off many protests, especially from the ALP which is vehemently opposed, and some uncertainty as to who actually owns the government health insurer, including the clients. In the event, the government has postponed the sale until 2008, claiming the float would have clashed with the Telstra sale and caused confusion, but political motives seem a more likely explanation for deferring until after the election. The sale of Adelaide shipbuilder ASC has also been slotted for 2008.

The use of public private partnerships also became an issue during the year, principally as a result of the NSW experience with toll roads, but the concept continues in most of the states.

### Skills crisis

The government's actions to confront this serious problem in the economy can only be described as piecemeal. The Australian Technical Colleges remain a mystery to most; the funding is bleak, the government seems to be displeased with the states' TAFE system, and the announcement by the Prime Minister of fast-tracking and extra subsidies for over 25s is policy on the run and not aimed at the fundamental causes of the crisis. Importation of skilled workers has simply inflamed and camouflaged the problem. Labor has a much more coherent policy approach to this issue.

### Regulation

The on again/off again reform of the national merger laws has created much confusion for industry and domestic and overseas investors. After much jockeying within the Coalition parties, the laws were finally passed. In general, the focus of the year has been on the ACCC and the implementation of the Dawson reforms, but whereas the ACCC itself has promised a more flexible and speedy approach, with some increases in its powers, it also lost some authority in this arena with certain approval avenues going straight to the Tribunal.

Red tape was quite a feature of the 2006 political landscape with the receipt of the comprehensive Banks report advocating scrapping of many national and state regulations – measures addressed by COAG and then several states by end of 2006.

### Indigenous policy

Following the abolition of ATSIC, the government's policy approach has been fast evolving. First, funding was given directly to Indigenous communities on a mutual obligation basis; then when this appeared to be failing, the proposal was to fund families directly. Former Minister Amanda Vanstone wondered out loud whether all of these "cultural museums" should be sustained.



PHOTO: AAP IMAGE

Meanwhile, the Federal Court handed down a decision granting Native title to the Noongar people in Perth, and the Commonwealth and WA governments lodged appeals. Then towards year's end Tasmanian Premier Paul Lennon announced his government had set aside \$5 million for compensation for the "Stolen Generation" in the Tasmanian Aboriginal community. Both these developments have potentially significant national implications.

Also, late in 2006, federal parliament passed legislation that removed Aboriginal cultural background as a mitigating factor in sentencing – a change that had been agreed to at COAG following some court decisions that had caused public disquiet.

### Commonwealth–state relations

Dysfunctional federalism has become one of the greatest obstacles to economic and social reform in Australia and has blurred the accountability of all governments to the people to an alarming extent.



PHOTO: AAP IMAGE

Australian federalism was placed under severe strain in 2006 with recriminations between the national and state governments commonplace, inevitably involving blame-shifting. It was also the subject of a missive from the OECD, which considered it a major obstacle to economic reform. The nation's leading business organisations have set up conferences and task forces to look at reform options as well. The states have now established their own Federation Forum, which held its first meeting in late 2006, ostensibly to achieve greater coordination among themselves, but a great deal of Canberra-bashing ensued.

All of this has to be seen in the context of the significant centralising of power as the Howard government tightened the screws on the states by bypassing them, using financial powers under Section 96 of the Constitution to attach more conditions to grants, and developing purchaser/provider models to place the states in the role of bidders rather than being sovereign entities. When the High Court ruled in favour of the Commonwealth in the Workplace Relations challenge, a precedent was set for the greater use of the corporations power to override the states, a possibility already foreshadowed by Attorney-General Philip Ruddock.

A key development during the year was the Council of Australian Governments (COAG) meeting in Melbourne. Here there were three visions of a future federation in evidence. Treasurer Peter Costello flagged a centralist approach, whereby the Commonwealth would take over more powers relevant to running the economy, specifically infrastructure, ports, rail, roads and energy. He speculated that the states might become service deliverers rather than policy partners in other arenas of intergovernmental arrangements.

John Howard, while also a centraliser, has a more incremental approach, arguing that the public want to see outcomes and are not concerned with which level of government does what. He says they want more portability, uniformity, and higher standards of services, together with clearer reporting for more accountability and choice. Also, he is not prepared to reward the states for providing services they should be providing in the first place.

The main initiative of the states, all Labor, under the leadership of Victorian Premier Steve Bracks was to propose a package of measures called the "third wave of reform" based around elements of "human capital", including education and training, health, and productivity of the workforce, accompanied by boosts to infrastructure and reduction of regulation. Although the topics of the Victorian proposal were meritorious, the modality was for the states to bid for Commonwealth funds according to performance standards which would be set by an independent intergovernmental body to be called the National Reform Council (which, however, would merely recommend payments to the Commonwealth). Such modalities simply serve to undermine the sovereignty of the states and would see them at the begging bowl of the Commonwealth. It also unfairly penalises smaller

**Table 2**  
Should there be a national education curriculum?

	%
Yes	69
No	26
Can't say	5

Source: Morgan Poll October 2006

states and territories, who may not have the capacity to mount bids of the calibre of the larger states. Victoria and NSW seem to deny that the price of nationhood is having states with more capacity helping those with less.

Meanwhile the Howard government's approach to federalism has been gaining considerable traction with the Australian public, partly because of the perceived ineptness of the states at managing their basic functions of health, education, infrastructure and water. People appear to be warming to Howard's plea for greater uniformity, accessibility and portability in delivery of public services

across the nation, together with higher uniform standards, greater consumer choice and accountability. For example, two polls conducted in 2006 showed the vast majority want a national school curriculum and some 50 per cent of people in NSW and Queensland want to see the states abolished, with that sentiment equally shared in rural and urban areas (Table 2).

All of these reform attempts do not obviate the need for a fundamental reform of the federal system, including constitutional change, and most premiers and the PM himself are beginning to acknowledge this (Box 1).

## BOX 1

### Dysfunctional federalism 2006

The issues which dominated the intergovernmental squabbles in 2006 included:

- **State taxation:** At various times, Peter Costello blamed states for squandering their growing GST allocations on public service salaries rather than on lowering or eliminating their "nuisance" taxes, which in turn are contributing to rising housing prices and interest rates. Costello castigated the states for constant raiding of the coffers of their GBEs, thereby reducing their essential spending on infrastructure (a fact supported by a major study in 2006 from the Productivity Commission).
- **Infrastructure:** The federal government attacked inadequacies in the road system, housing, dams, ports, and rail, accompanied by criticisms of state governments for poor planning, squandering of booming property tax revenue, and raiding their GBEs of capital funds. The states responded with accusations of inadequate Commonwealth funding for major projects.
- **Education:** We saw ongoing stoushes over Commonwealth initiatives towards performance pay for teachers (although accepted by Beazley in a very major policy shift towards the end of 2006), a national school curriculum and a common Year 12 leaving certificate, reintroduction of Australian history into school curriculum, expunging of left-wing and deconstructionist infiltration of English teaching, funding for school chaplains, conditional funding to ensure accountability in reporting by schools to students and families, and a surprise suggestion from Julie Bishop for the Commonwealth to take over accreditation of universities, or for the states to split the bill.
- **Training:** Arguments broke out between the two levels of government over the causes of Australia's skills crisis and over the state TAFE systems, with piecemeal initiatives from all governments in this arena.
- **Health:** Significant battles took place over funding of medical places in universities, threats to attach more conditions in the next Australian Health Care Agreement, stagnation over solutions to the "bed blocker" problem, whereby there are insufficient aged care funded places to allow patients to move from hospitals, and claimed failure of the states to match the Commonwealth's boost to funding of mental health. The Commonwealth did back away from its earlier suggestions that it might take over state hospitals, but flagged conditions to make states report more performance indicators, including waiting lists. Meanwhile, the states failed to agree on universal standards for recruitment of overseas doctors, despite having agreed in principle at COAG some six months earlier.
- **Water:** The Commonwealth took a much higher profile in water policy, blaming states for past neglect and planning (supported by an independent water audit during the year), and the states retaliated with claims of insufficient funding for key projects.
- **Workplace relations:** States mounted their High Court challenge to the Howard government's legislation, but also took measures to protect their jurisdictions from any imminent takeover. The High Court ruled in favour of the Commonwealth, thereby sanctioning the use of corporations power to control industrial relations. The states immediately called for a Constitutional Convention to reform the division of powers in the federation and argued that the only way to scupper the Workplace relations laws was to defeat the Howard government at the ballot box.
- **Workcover:** The states desperately fought against Commonwealth initiatives to open the national Workcover system to companies currently operating under state-based schemes. John Howard also flagged a national system of occupational health and safety laws.
- **Regulation:** The states cooperated with a nationwide attempt to roll back red tape, but the Commonwealth sought to remove state power to veto appointments to the senior ranks of the ACCC.

**Governance**

For a nation that prides itself on having an open robust democracy, there were a number of shortcomings in governance in 2006. One of the major concerns was the abuse of Freedom of Information (FOI) laws, best symbolised in the September High Court decision that upheld Treasurer Peter Costello's actions in denying access to Treasury briefing documents on bracket creep and the first home buyers grant. Most states have also watered down their FOI regimes, or circumvented them to such a extent that they are largely a joke. Australia does not have open government.

Ministerial responsibility, the supposed cornerstone of Westminster-style democracy, all but disappeared in Australia. The convention that ministers should resign if they have misled parliament was not honoured in several jurisdictions across the nation in 2006. The findings of the Cole Report highlighted the unclear role of ministerial advisers and the retiring Secretary of the Defence Department called for a code of conduct to address this issue.

The national parliament is much more effective than the state parliaments, but there were significant concerns expressed during the year when the government, using its narrow majority, changed the structure of Senate Committees and replaced Opposition Chairs with government Senators.

For those who remember the days of fiery principled parliamentary debate, the return in 2006 of crossing the floor and conscience votes were welcome signs, and the standard of debate increased exponentially when the party whip was removed. In the Liberal Party a conscience vote is the prerogative of the Prime Minister, whereas in the ALP it is a formal decision of Caucus. The

Parliamentary Library has prepared an informative paper on the history of crossing the floor, which contains the table below. Historically speaking, there has not been a great deal of the phenomenon under Howard, but it appears to be back into fashion to the delight of small "l" Liberals who recall Menzies' desire to create a party that would be a broad church encouraging freedom of thought and dissent, within the framework of libertarian principles (Table 3a and 3b).

An important innovation in democracy occurred at the 2006 Victorian election in relation to the state Upper House, which for the first time was totally dismissed and then elected by proportional representation.

Meanwhile, the major political parties have hardly been models of good behaviour in 2006, all of them having engaged in significant branch stacking or stripping, and underhand preselection battles at a time when political party membership in Australia is at an all-time low.

Politicisation of the public services, national and state, political interference with judicial appointments, political appointments to the Boards of Government statutory authorities, including the ABC and the Reserve Bank and several state GBEs,

**Table 3a**  
**Crossing the Floor 1950–2004**

	%
Liberal	63
National	26
Labor	11

Source: Australian Parliamentary Library

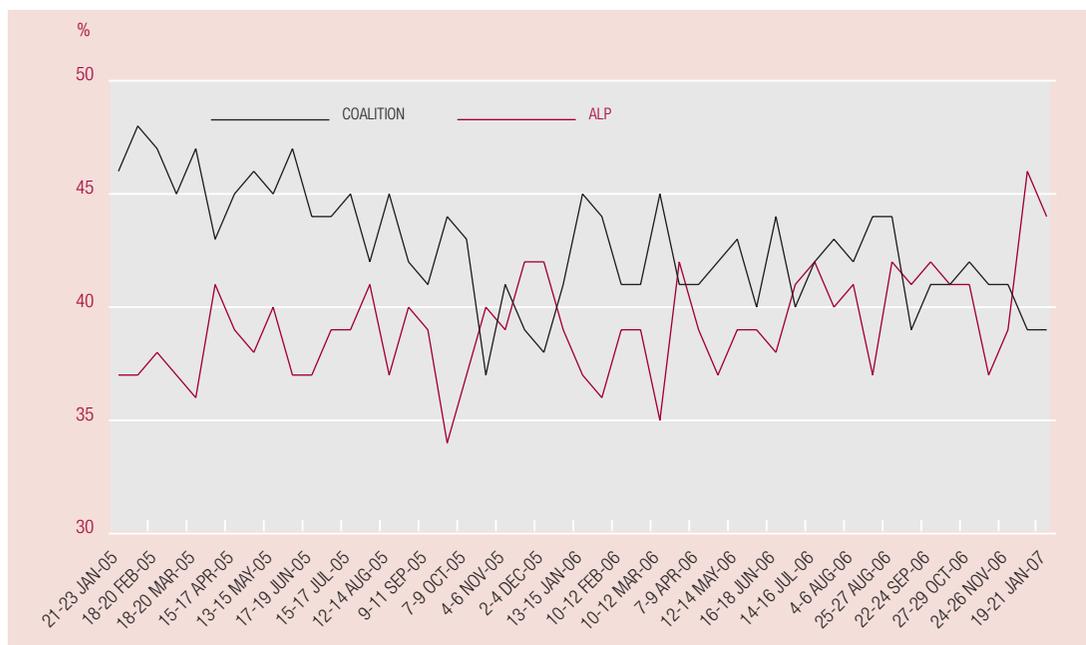
**Table 3b**  
**Floor crossings in the 41st Parliament**

FLOOR CROSSER	HOUSE	PARTY & STATE	NUMBER OF FLOOR CROSSINGS	SUBJECT
Barnaby Joyce	Senate	Nationals QLD	17	Trade practices (10)
				Taxation (1)
				Education (2)
				Media (4)
Russell Broadbent	Reps	Liberal Party VIC	2	Immigration (2)
Petro Georgiou	Reps	Liberal Party VIC	2	Immigration (2)
Kay Hull	Reps	Nationals NSW	2	Telecommunications (2)
Judi Moylan	Reps	Liberal Party WA	2	Immigration (2)
Gary Humphries	Senate	Liberal party ACT	1	Human rights (1)
Harry Quick*	Reps	ALP TAS	1	Crime (1)
Wilson Tuckey**	Reps	Liberal Party WA	1	Human rights (1)

\* Harry Quick asked that his name be recorded as voting against the third reading of the Anti-Terrorism Bill (No. 2) 2005. There was no division.  
 \*\* Wilson Tuckey asked that his name be recorded as voting against an opposition motion calling on the Government of the Republic of Singapore to spare the life of Nguyen Tuong Van. There was no division.

Note: These floor crossings occurred between 15 September 2005 and 19 October 2006. Prime Minister John Howard gained control of the Senate on 1 July 2005.

**Figure 1**  
Federal voting intention – Coalition and ALP primary vote



Source: Newspoll–Australian

and the failing of privacy laws were all key issues in 2006. Kim Beazley promised measures to prevent the politicisation of the public service, and a code of conduct for ministers.

Several states took steps during the year to introduce a Bill of Rights into their jurisdictions but there was no similar move at the national level.

Government attitudes to regulation and relationships with statutory bodies remained ambivalent during the year. At the national level the momentum of the Uhrig and Dawson committees were somewhat maintained, especially regarding merger rules and the powers of the ACCC, but national governments have clearly failed to thoroughly address the challenge of having government-owned bodies at arm's length from political direction. No wonder there is an overall drift of opinion towards more uniform and single regulation. The clash during the year between the Inspector-General of Taxation and the ATO was an interesting insight into this governance model, which has produced few results hitherto.

### Christmas comes early for John Howard

The last quarter of 2006 saw the Coalition receive a number of early Christmas presents:

- The first report of the Fair Pay Commission had removed much of the bogeyman image of the new Workplace Relations laws.
- The Federal Court decision granting Native title in Perth polarised the electorate and the Labor Party itself.
- The Stern Report in the UK focused on the economics of climate change and thus gave John Howard a pivot on which to turn in the political debate. Then the Australian Wentworth Group of

scientists pronounced that Australia could simultaneously achieve economic growth and a 60 per cent reduction in greenhouse gas emissions.

- The Zvitkowsky Report on nuclear energy supported the thrust of the PM's claim that nuclear energy was a viable option for Australia.
- The High Court decision on Workplace Relations by a five to two majority essentially vindicated the government's use of corporations power and produced a public perception of a defeat for the unions, the states and Labor.
- The High Court decision on asylum seekers established that it was legal to send some refugees back to their country of origin, giving tacit support to the government's tough stance on border protection.
- The Cole Report effectively exonerated ministers from legal culpability in the Iraq oil for food scandal and blunted the Opposition's incessant campaign waged throughout the inquiry, although it raised serious questions regarding government competence and governance.
- The leadership challenge to Kim Beazley in early December took away the issue of the Coalition's own leadership succession and presented a divided Opposition.
- Even the US election itself, though a clear rebuff for Howard ally President Bush, gave John Howard a lever for his own repositioning on Iraq, which seems inevitable in 2007.
- The Victorian election, although a resounding victory for Labor, reinforced the image of the Howard government being the only check on Labor state governments in an era when voters are seeking to achieve a balance of power in the political system.

“... there were a number of shortcomings in governance in 2006.”

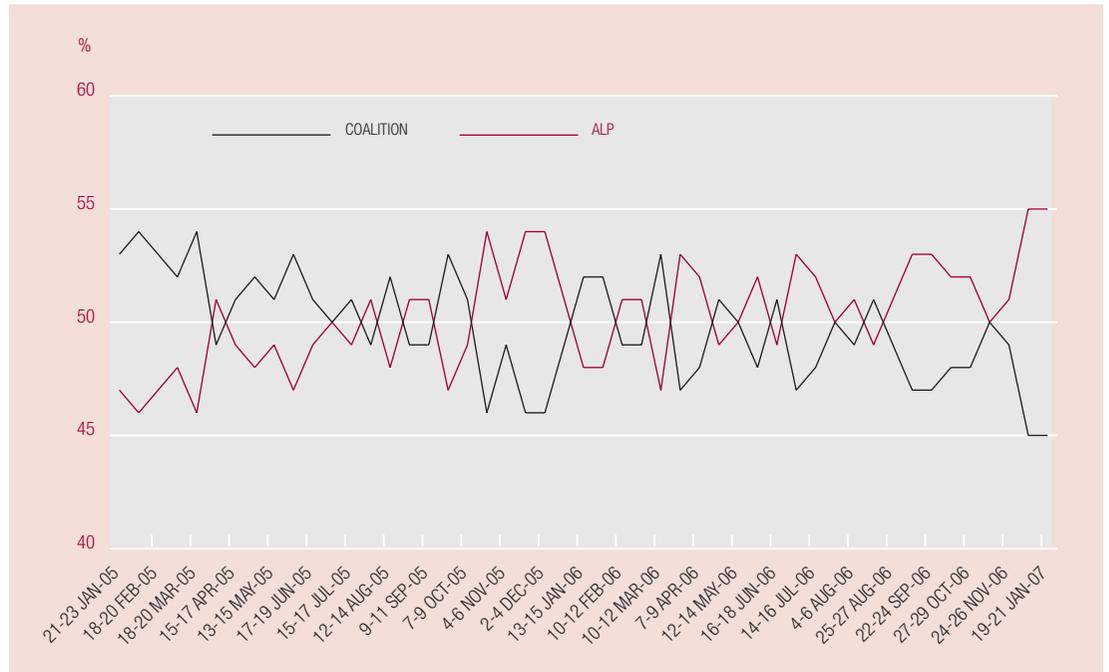
**The polls**

By year's end Labor had notched up a record of six state election wins, and indeed the past 20 state and territory elections, and was ahead in national polling. Labor had also made up a little ground in some policy areas where the government had long

had a big lead such as security and the economy. The Australian Democrats seemed likely to disappear following the decision of SA Senator Stott-Despoja to quit in 2008, but the Family First and Greens parties were polling strongly. Indeed, in the

**Figure 2**

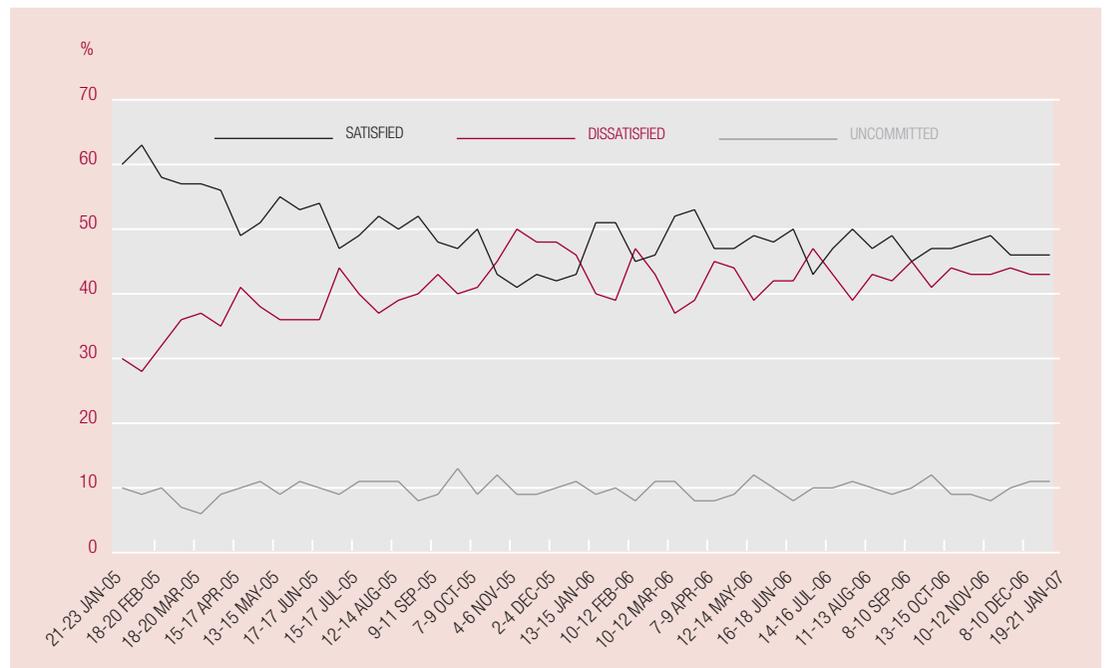
Federal voting intention – Coalition and ALP two-party preferred



Source: Newspoll–Australian

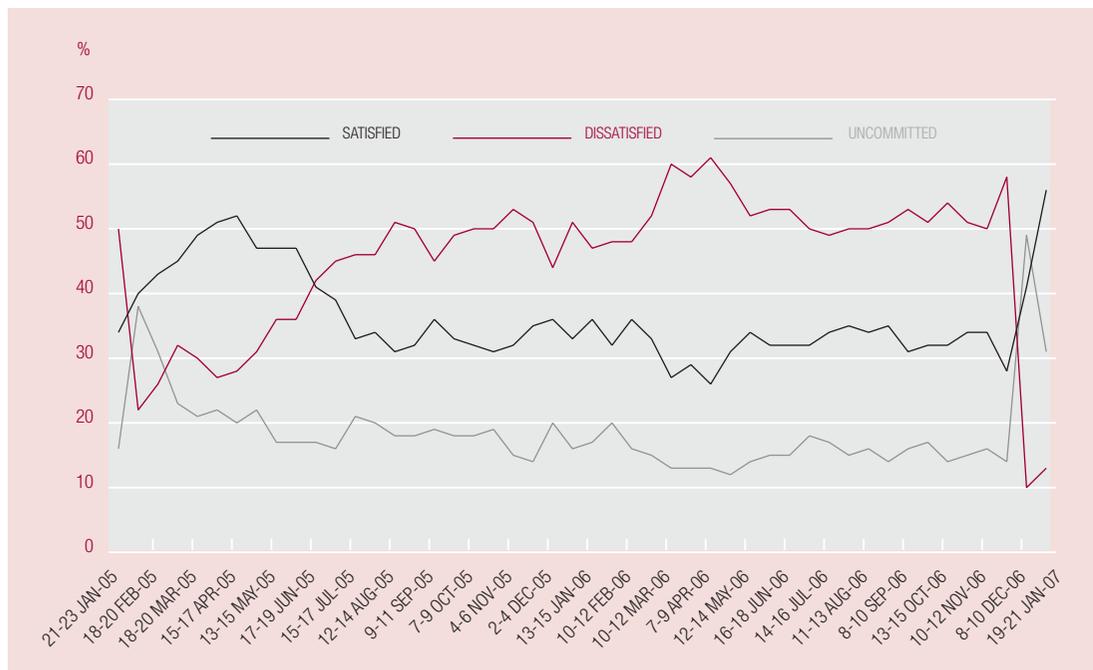
**Figure 3**

Satisfaction–Dissatisfaction with the Prime Minister



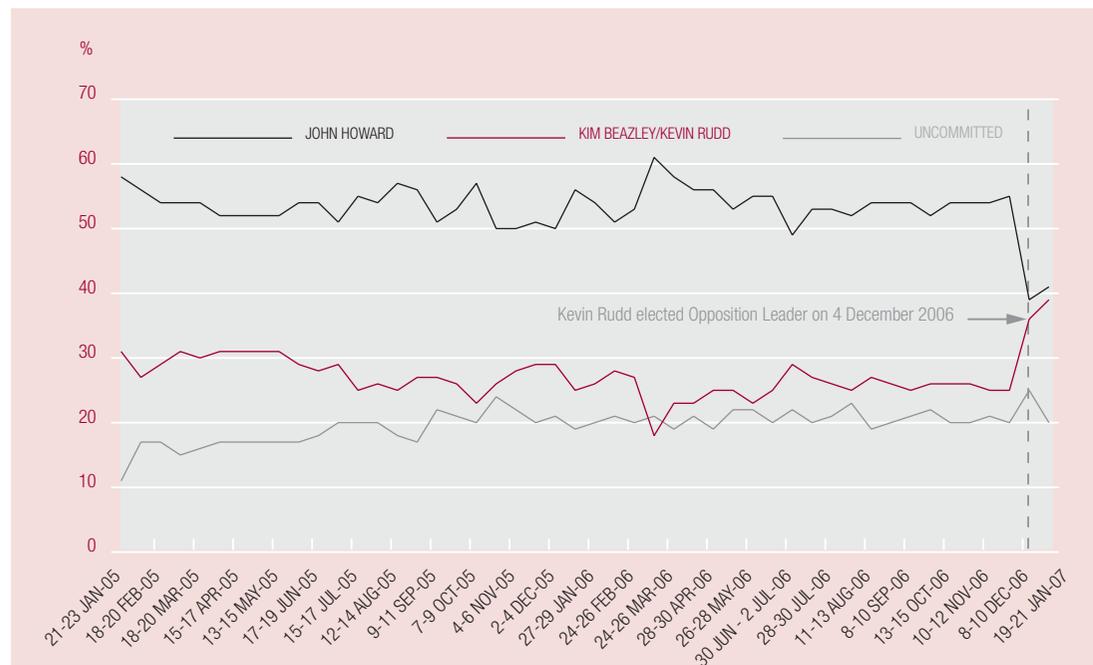
Source: Newspoll–Australian

**Figure 4**  
Satisfaction–Dissatisfaction with the Leader of the Opposition



Source: Newspoll–Australian

**Figure 5**  
Preferred Prime Minister



Source: Newspoll–Australian

Victorian election, Family First polled 4.3 per cent and the Greens 9.6 per cent of the primary vote.

However, at the end of 2006 John Howard remained favourite as Prime Minister, although the government was wobbly in the marginal electorates (Figures 1–5).

**Table 4**  
2007 National Election

	NUMBER OF SEATS	NOW NOTIONALLY HELD BY		
		COALITION	LABOR	INDEPENDENT
NSW	49	26	21	2
VIC	37	18	19	–
QLD	29	22	6	1
SA	11	8	3	–
WA	15	10	5	–
TAS	5	2	3	–
NT	2	1	1	–
ACT	2	–	2	–

Note: Labor needs a swing of 3.3 per cent and 14 seats to win

**PROSPECT 2007**

The year began with some mega global changes of stance that will also affect Australian politics, including particularly the prospect of a withdrawal from Iraq and more urgent measures on climate change (Box 2).

There are also many major domestic events that will shape Australian politics this year:

However, the main event of 2007 is the national election, which will dominate the whole political scene this year.

It is clear that the election will held be not long after the APEC meeting, which is being hosted by Australia in September. Indeed, the government will be hoping to get an electoral bounce from this event, although it runs the risk of generating a focus on sensitive political issues like security and terrorism risks, climate change issues, and outsourcing of jobs overseas.

Once again this will be a tight election. Although the Coalition received a swing at the 2004 election and 52.7 per cent of the two-party preferred vote, a subsequent electoral redistribution has shifted one seat from NSW to Queensland and reduced the notional swing required to unseat the government. It would take a swing of only 3.3 per cent for Labor to win, and pick up the required 14 seats, and slightly less if the three current independents are to retain their seats and then support a Labor government (not likely for all of them) (Tables 4 and 5).

The Australian Democrats seem likely to self-destruct at the coming election, so the preferences of the Greens and Family First become very important for the major parties in the shaping of their policies.

According to voting analysis research in 2006, “battlers” have now been completely replaced by “aspirational voters”, a fairly profound change in terms of the pitch that parties must make to the so-called “middle Australia”.

So aspirational marginals are again the main focus of the election, which will again be won in the marginal electorates especially in the suburban areas of the capital cities. These now fall mainly in NSW, Vic, SA, and particularly in Queensland where Labor’s vote was so low last time (Maps 1 and 2).

It is in these suburban marginals that the now familiar politico-economic conundrum still applies. Interest rates and price rises will still be key issues in these mortgage belts. It is certain that the 2007 budget will once again produce a healthy surplus, thanks largely to company taxation, allowing the government to give personal tax cuts then and save some of the surplus for election promises, as per usual. However, the forecasted growing economy, with its tight labour market and prolonged drought, will increase the inflation rate causing the Reserve Bank to lift interest rates. Both these factors will gobble up a large proportion of the tax cuts given and promised, and we know from past experience that Australians will spend rather than save what is left of their tax cuts. What is more, we now also know that voters simply expect tax cuts when the government has such a healthy surplus, so the mere granting of tax cuts is no longer the carrot it used to be.

Consequently, two key issues for the 2007 election, as in past elections, are taxation and measures to protect home buyers from potential interest rate rises. The Coalition had the better of this crucial

**Table 5**  
2004 national election

	COALITION	LABOR
Seats won	87	60
Two-party preferred vote	52.70%	47.30%

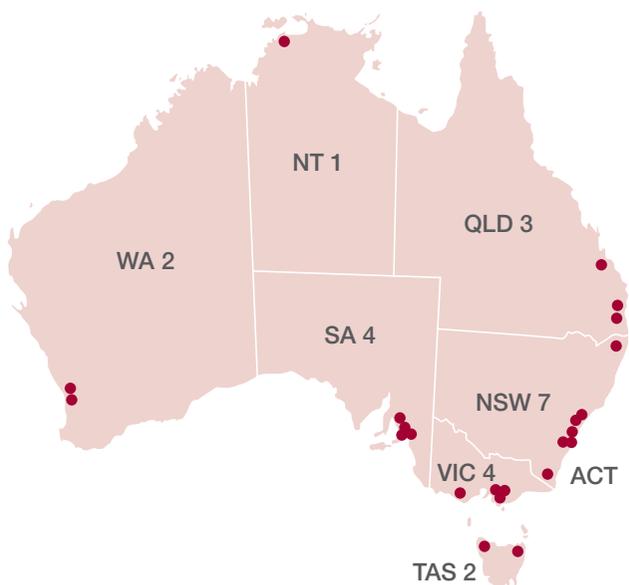
Source: Malcolm Mackerras, Australian Electoral Commission

## Watch these developments in 2007

- Reaction to the Cole Commission of Inquiry report into the role of the AWB in the Iraq oil for food scandal. Although ministers have been exonerated, expect fallout from subsequent prosecutions of officials and evidence of incompetence, as well as tension within the Coalition as the government inevitably moves to abolish the single desk exporting system.
- NSW election in March. Labor is ahead in the polls but John Howard is taking a higher profile in this state election than he has for others, and the election may be seen as a litmus test on national issues such as workplace relations and climate change.
- High Court decision on Howard Government's use of corporations powers in Workplace Relations laws. Potential for use of the corporations powers in other state arenas has been raised by Ministers Ruddock and Campbell.
- Reserve Bank decisions on interest rates. With this being a crucial election issue, every sneeze from the RBA will be forensically analysed as the year progresses.
- Further decisions of the Fair Pay Commission will be crucial to the argument over the impact on workers of the new Workplace laws, the key election issue being targeted by Labor and the unions. Also every publicised instance of employee abuse will put pressure on the new regime and possibly see the government doing more "fine-tuning".
- The US and UK shifting position on Iraq will see the Howard government address the timing of any withdrawal.
- Climate change. The international and domestic issues, including water, will see the government further refine its policies to reflect these stances and changing public opinion.
- Federal budget. There will be another round of tax cuts and giveaways, but the public seems unmoved by this familiar pattern. The welfare to work issue still remains unresolved and will need continuous adjustment, especially as Labor will again target this. The government will keep some of the large surplus in the kitty to fund election promises later in the year.
- Australia's dysfunctional federalism will continue as the Howard tightens the screws further on the states in many arenas with consequent blame shifting to the chagrin of the public and continuation of the strong call from business for reform.
- With the Workplace Relations laws polarising business and unions the election will shape up to some extent as an old-style capital versus labour ideological dispute. It will also inevitably be portrayed as Coalition plus business versus Labor plus unions.
- The public disaffection with the major political parties and strong polling by the minor parties will see the Greens and Family First having to be wooed to some extent by Coalition and Labor parties alike. Expect to see green and family friendly labels on public policy in 2007.
- APEC to be staged in September. As well as regional economic and trade issues, expect this to raise issues of globalisation, shifting of jobs offshore, climate change, security and terrorism, immigration and asylum seekers.

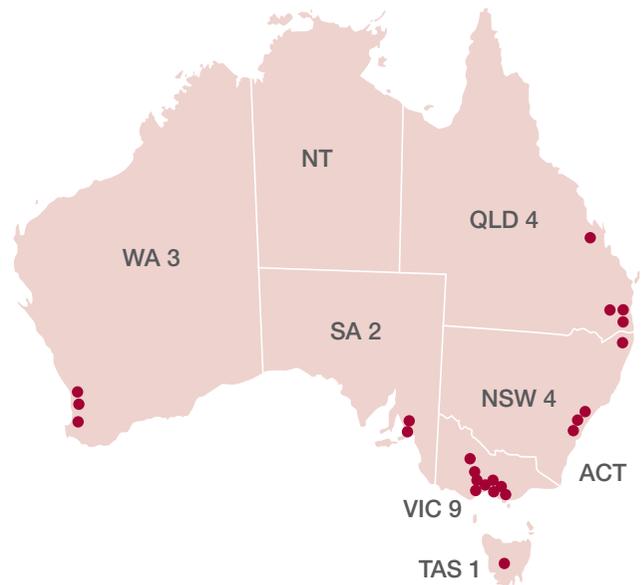
**Map 1**

Marginal electorates (Coalition)



**Map 2**

Marginal electorates (Labor)



contest at the last election, but Labor was showing signs of crafting revised approaches to its previous offerings at the end of 2006. So-called “middle Australia” and “aspirational voters” are their unambiguous targets, as well as the government’s past record on its promise to keep interest rates lower than Labor’s policies could achieve. Linked policy issues are the welfare to work transition, and access to childcare. Most of the marginal electorates with high mortgage exposure are in the smaller states, but interestingly during 2006 high petrol prices were more frightening to these voters than the prospect of higher interest rates.

These will not be the only matters on the minds of middle Australia. Job security will figure prominently and it will be through that prism that marginal electorate voters will appraise the Coalition and Opposition policies on workplace relations, and not the grand rhetoric that both sides are using so far in this debate. As with all other recent national elections, as revealed in the comprehensive post-2004 election study, health is the major sleeper issue together with a renewed interest in school education, given the reform measures proposed in 2006 by the Julie Bishop for the Coalition that Labor was forced to address, including a national curriculum, greater accountability to parents, higher standards, performance pay for teachers, and the vexed matter of school funding, which Labor misjudged at the last election with several frontbenchers admitting that their past policy smacked of the politics of envy.

### What’s different?

The aspects described above were all features of the past four elections won by the Coalition, and all in tight contests. So what’s new about this one?

John Howard and Kevin Rudd are both personally desperate for a win at this election. Howard must win given that he de-railed the Costello succession plan in 2006 and decided to stay on. His style has become more incremental and accommodating ever since and seems likely to be the same for most of 2007. Rudd must justify having destabilised the Labor party yet again and deposing Kim Beazley. Each leader is more beholden than in the past; Howard to the ideological fringes of his Coalition caucus, Rudd to the unions. Leadership is more difficult to demonstrate in such circumstances. The unions are fighting for their very life at this election and so will play a much more active and vehement role than at any election since the Coalition came to power in 1996.

The poll results pre-election are slightly different this time. Labor has been ahead of the government by a slightly larger margin than was the case for the year prior to the last elections, and has been above the psychological barrier of 40 per cent primary vote for much of 2006, especially the latter months. Labor has also made up some ground on



the Coalition’s perceived strengths in handling the economy, interest rates and taxation. In demographics, while older votes favour the Coalition and younger voters favour Labor, neither group is quite as rusted on as previously. It remains to be seen whether the late 2006 leadership challenge will affect these trends.

The possibility exists of Labor winning government in the Lower House but having the Coalition still control the Senate; shades of 1975. A glance at the following table reveals that Coalition Senate seats up for grabs in 2007 comprise only three in each state, and it is very unlikely that the Coalition vote would fall so low as to lose any one of them. Labor may well pick up a Senate seat or two this time but that will most likely be at the expense of the Australian Democrats and possibly the Greens. The Coalition’s overall current one-seat majority comes from the four Senate seats it holds in Queensland that it surprisingly won last time, but which are not due for re-election until 2010.

Given this scenario, Coalition unity becomes more of an issue in 2007. Coalition tensions will have to be managed, especially in the light of the 2006 record, including crossing the floor and conscience votes. Also the Coalition may have to woo Family First even more strongly this election, given its dependence on Senator Fielding in the recent past when its own maverick Coalition members, including National Barnaby Joyce, crossed the floor or abstained on the floor of the parliament. Expect the Coalition’s election push to have a strong family label on it (Table 6).

The 2007 election will occur under the new electoral financing laws which are far more liberal and might be expected to encourage more clandestine donations. The declarable limit has been raised from \$1500 to \$10,000 for individual donations: Labor estimates that this means that 80 per cent of donations will be removed from scrutiny. (The tax deductibility for donations goes from \$100 to \$1500). Traditionally this would be assumed to favour the Coalition. Also, under the new laws the rolls will close the moment the election is called, a measure which usually favours incumbent governments. On the broader aspect of election funding, it is likely that the strident opposition of Labor to

the government's workplace reforms, and the fact that the very future of the trade unions is at stake, will mean much more polarisation of macro funding. The Coalition will receive strong election financing from business, and Labor from the unions. Indeed, Labor may find it hard to raise funds from the corporate sector, despite the efforts of some of its shadow cabinet, for example Wayne Swan and Lindsay Tanner, to get closer to business since the last election, and frontbencher Martin Ferguson's support for a review of uranium policy.

### Policy matters

At the beginning of 2007 we do not know all of the policies of the parties, especially Labor, which has yet to complete a comprehensive revision of its past scenarios. If the results of the last election study are any guide, policy does matter to at least half the voters and a large proportion make their voting decision well before the election is called. So the message to all parties is to get on their bikes and bring out policies sooner rather than later this year (Table 7).

However, we do know some key policy differences, and/or significant differences of policy approach, between the Coalition and Labor (Box 3).

### All eyes are on Labor

The key question is whether Labor can prevent a fifth election win for John Howard. The main factors are outlined below.

#### The basic stance

Labor clearly has to reinvent itself to some extent. The year 2007 marks 20 years since the fall of the Berlin Wall, and the Tree of Knowledge in Barcaldine has died, so any return to the old ideologically based class struggle and symbolism of capitalism/socialism seems out of date. A further shift to the Centre seems warranted but a close relationship with business seems difficult given the divisive stance over industrial relations by Labor's basic partner the trade unions. Tony Blair's reflections on the success in creating New Labour in the UK may have some resonance:

*The challenge shifted from domestic-managing the economy, rebuilding neglected public services, fighting poverty – to more threatening intractable global concerns, for example terrorism, but also mass immigration, looming energy shortages, and climate change ... The core vote of this party today is not in the heartlands of the inner city, not any sectional interests or lobby, our core vote is the country. New Labour created a Coalition by reconciling compassion with aspiration; now the task is to reconcile liberty with security.*

### Leadership

The takeover by Rudd and Gillard has an eerie parallel with the Latham experiment in terms of timing and attempted pre-election positioning.

**Table 6**  
2007 Senate seats being contested

	COALITION	LABOR	GREEN	DEM
NSW	3	2	1	-
VIC	3	2	-	1
QLD	3	2	-	1
SA	3	2	-	1
WA	3	2	-	1
TAS	3	2	1	-
NT	1	1	-	-
ACT	1	1	-	-
TOTAL	20	14	2	4

Source: Australian Electoral Commission

Rudd will surely have learnt from the earlier experience. Also, we know from his background in state government that he is media savvy, strong on policy design and coordination (though not so careful in implementation), personally conservative and generally well regarded by business. However, he is also prone to overcentralisation in decision making, which was a Labor vulnerability at the last election under Latham. Rudd's shadow cabinet is stronger on economic credentials than Latham's, but he will have to make more of an effort to emerge from his niche foreign policy persona. Modern politics requires both pizzazz and policy; Latham was high on the former but low on the latter, while Rudd is probably the reverse.

Finally, it is a part of Australian political history that it is very difficult for a party leader who is not from Sydney or Melbourne to keep the teamwork solid and the party and personal support bases strong. Achieving unity between federal Labor, state Labor governments and the unions has eluded the party in the past, but Rudd has considerable experience in this domain – it used to be his day job.



PHOTO: AAP IMAGE

**Table 7**  
**Australian Election Study 2004**

When did you decide which way you would vote?	
A long time ago	46.40 %
A few months ago	14.10 %
Most important factor in vote decision	
Party leaders	18.30 %
Policy Issues	48.20 %
Candidate in electorate	6.30 %

### Policies

Labor has only about half its policies enunciated and still no sign of the key ones on taxation, security, education and health. Leaving this until close to the election has not worked in the past.

### The circuit breaker?

Labor has been searching for this golden fleece for some time and thought it had found it in workplace relations. However, the Fair Pay Commission decision and the High Court judgement have blunted this. Also, polls early in 2007 show the vast majority of Australians believe they have good job security. Other possibilities include interest rates, but governments in the developed world are all addressing inflation with higher interest rates and central bankers all are united on this. Moreover, Labor will need to outline policies on economic management to control interest rates. Iraq was shaping up as a key issue where the government was vulnerable, but Howard will inevitably accept some timetable for withdrawal and Labor is left to define more clearly what its relations with the US would look like if elected. Privatisation will give Labor some traction and it will promise to prevent the sale of Medibank Private, but it is not a large issue. Climate change offers promise, but the Government softens its stance each week. Nuclear issues offer promise as well, especially the uncertain location of nuclear reactors, but the government will hone its own approaches. Health is always the sleeper election issue but crafting policy is tricky as evidenced last time. Although Labor polls well on education credentials, the government has outfoxed it consistently in this arena. In light of all these developments it seems that there will not be any one circuit breaker issue for Labor to pursue, especially as the government will be incrementally shifting position on them all throughout 2007. Rather it will be a combination of the above and the need to flog all of them mercilessly in the aspirational marginal electorates.

### Preferences

Labor desperately needs Green preferences at this election and so the familiar conundrum arises –

how to prevent being portrayed as a captive of both unions and Greens? Although given the marked concerns in the electorate now regarding environmental issues, the partnership with the Greens is not as hazardous as in previous elections. Rudd has already admitted that past policy on Tasmanian forests was a mistake, alienating the Greens but probably not enough to see them direct preferences away from the ALP on the mainland.

### The federal–state log jam

Labor should be able to promise greater cooperation with Labor state and territory governments but there are areas where this will be difficult given the two-speed economy which has emerged between resource-rich and resource-poor states and different industry structures. However, solving dysfunctional federalism should be an avenue for Labor to highlight, claiming that it alone can address this.

Taken as a whole this agenda, plus the advantage which incumbency brings to governments, is such a formidable challenge for Labor that it will require some stumbling from the Coalition, as well as Labor initiative, to win the election. It certainly will require strong leadership and complete unity, factors not yet in evidence at the beginning of 2007.

### Challenges for the Coalition

A government hoping for a fifth election victory ought to be contemplating long-term benefits it could contribute to the nation. Much remains from the old government agenda, outlined in the 2004 White Paper on Australia's Long-Term Challenges, which had as its list:

- National security
- Work and family
- Demographic change
- Science and innovation
- Education
- Sustainable development
- Energy
- Rural and regional
- Transport
- Health.

Clearly the Howard government has tackled almost all of these topics to some extent but the task is far from completed on most of them.

### Shifts of policy

These will include Iraq where, although John Howard has stuck by the new American strategy espoused by George Bush in mid-January, he is clearly savouring the prospect of following Tony Blair's signal to phase out the British commitment. Polls show clearly that most Australians think the Iraq war was not worth it, and are seeking a timetable for withdrawal. There will be constantly shifting policy throughout 2007 on climate

change, especially through renewables, and carbon emissions. Water is a very significant issue to be addressed and further national initiatives will flow all year. Single desk exporting is due for the chop causing tension within the Coalition.

#### Refinements of policy

This includes workplace relations, welfare to work, taxation, and nuclear energy policy.

#### Coalition unity

With such a continuing precarious majority in the Senate, the biggest headache for John Howard in 2007 is to maintain Coalition unity and the image of competence to govern. Several issues loom as divisive.

#### Federal–state relations

Big reforms are due here to address properly the skills crisis, education curriculum issues, infrastructure provision, control of water, and especially health reform. John Howard's words following the High Court judgement are very pertinent and will recur throughout 2007 as a check on the government's policy moves:

*I will use the constitutional power available to the Commonwealth when it is in the public good. I have no desire to accrue power to Canberra just for the sake of us having more power.*

However, the most lasting contribution John Howard could make to Australia's 21st century governance and truly long-term policymaking would be to introduce referendums to achieve two changes to the Australian Constitution: first, four-year terms for parliament (preferably fixed terms); and second, a realignment and clarification of the roles and responsibilities of all the levels of government in our dysfunctional federation.

Indeed the personal future of John Howard will inevitably arise again during the 2007 election campaign. If he won just one more election after 2007 he would be within reach of beating Sir Robert Menzies as Australia's longest serving Prime Minister. Tempting but probably unrealistic.

#### Australia's cultural identity

The 2007 election will take place at a moment when Australia is redefining its cultural identity, and this is an intangible but influential factor currently underlying the nation's politics. Consider this list:

- There is serious talk from the government of dropping the word "multiculturalism" from its lexicon.
- On 26 January, the citizenship laws were changed to require four years residence for eligibility.
- Talk is rife of a citizenship test on Australian values to determine suitability, an initiative supported by 85 per cent of Australians.
- Citizenship education itself has been targeted for reform.

### BOX 3

## Emerging policy differences

- **Workplace relations:** individual vs collective bargaining, machinery, union influence
- **Personal taxation:** levels and thresholds
- **Welfare to work:** incentives and modalities
- **Iraq:** phased or immediate withdrawal
- **US alliance:** strong or tepid
- Means of addressing **climate change, environment, water and renewable energy; Kyoto protocols**
- **Privatisation:** Telstra and Medibank Private
- **Skills crisis:** funding approaches and TAFE
- **Federalism:** overriding states or collaboration
- **Education:** funding formulae for all sectors; national or state curriculum
- **Health:** exemptions from Medicare levy, dental funding
- **Nuclear energy** and degree of uranium enrichment
- **Asylum seekers and foreign workers**
- **R&D/Innovation:** method of funding and profile in cabinet

- The culture wars and curriculum debate in history and English have set the scene for a return to fundamental basics in these arenas to give students knowledge of their history and literature, key skills and competencies, and a patriotic attachment.
- Dictums to religious groups to respect Australia values and renounce extremism have become more strident.
- Indigenous law has had to become mainstream.
- Border security has become more prominent.
- Family values are to the fore together with a debate over the meaning of "family".
- Reformed media ownership laws still have to respect local content.
- The bush demands parity with the city.
- National icons like the Snowy Mountains Authority and Qantas cannot be tampered with lightly. Foreign ownership has its limits.
- Globalisation is acceptable up to the point it threatens local jobs and environmental standards.

Some will call all of this as xenophobia; others will see it as strength of identity, values and conviction. The interesting thing is that almost all these arenas have largely bipartisan support, signalling that a reaffirmation of what it means to be Australian is a powerful undercurrent that no politician can afford to ignore. But a republic still seems a little way off.