

2008 political overview

With Labor governments in power across the nation for the first time ever, Ken Wiltshire looks at the prospect for solutions to long-running political issues.



Professor Ken Wiltshire

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FORMER PM JOHN HOWARD:
SOLDIERED ON





PM KEVIN RUDD:
ENERGY MATCHED BY
PERSONAL DISCIPLINE



DEPUTY PM JULIA GILLARD:
SUPER-PORTFOLIO

2007 IN RETROSPECT

The looming national election dominated politics throughout 2007, even though it was clear that it would not be called until after the Sydney APEC Conference in September.

The polls showed the same story all year – the Coalition trailing Labor overall, but ahead on the key issues of economic management and security; the grey voted rusted on to the Coalition and the youth vote rusted on to Labor; and John Howard trailing Kevin Rudd as preferred prime minister, but achieving satisfaction ratings of around 50 per cent. The key unanswered question continued to be whether the consistent Labor lead in the polls would translate into a uniform swing and be enough to pick up the 16 seats needed to win government, especially as the Coalition performed more strongly than Labor in Western Australia, voters in Tasmania remained fickle, and Rudd's supposed home state advantage in Queensland could not be taken for granted.

Labor won the March state election in New South Wales, despite suffering a 3.7 per cent swing against the Iemma government in a scenario reminiscent of the 2006 Queensland experience – voters were clearly upset about the government's poor performance, but did not believe the Coalition to be any more capable. Consequently, all state and territory governments remained Labor – a factor that John Howard seized, with the fear of "wall-to-wall Labor" as the national election approached.

Economic bipartisanship

Until the national election campaign began, the economic parameters continued to favour the Coalition. The commodities boom helped protect the fast-growing Australian economy from the US sub-prime mortgage crisis, there was record low unemployment, the Fair Pay Commission's decisions produced no startling disruption, and the few interest rate rises that emanated from the Reserve Bank of Australia (RBA) were contained politically.

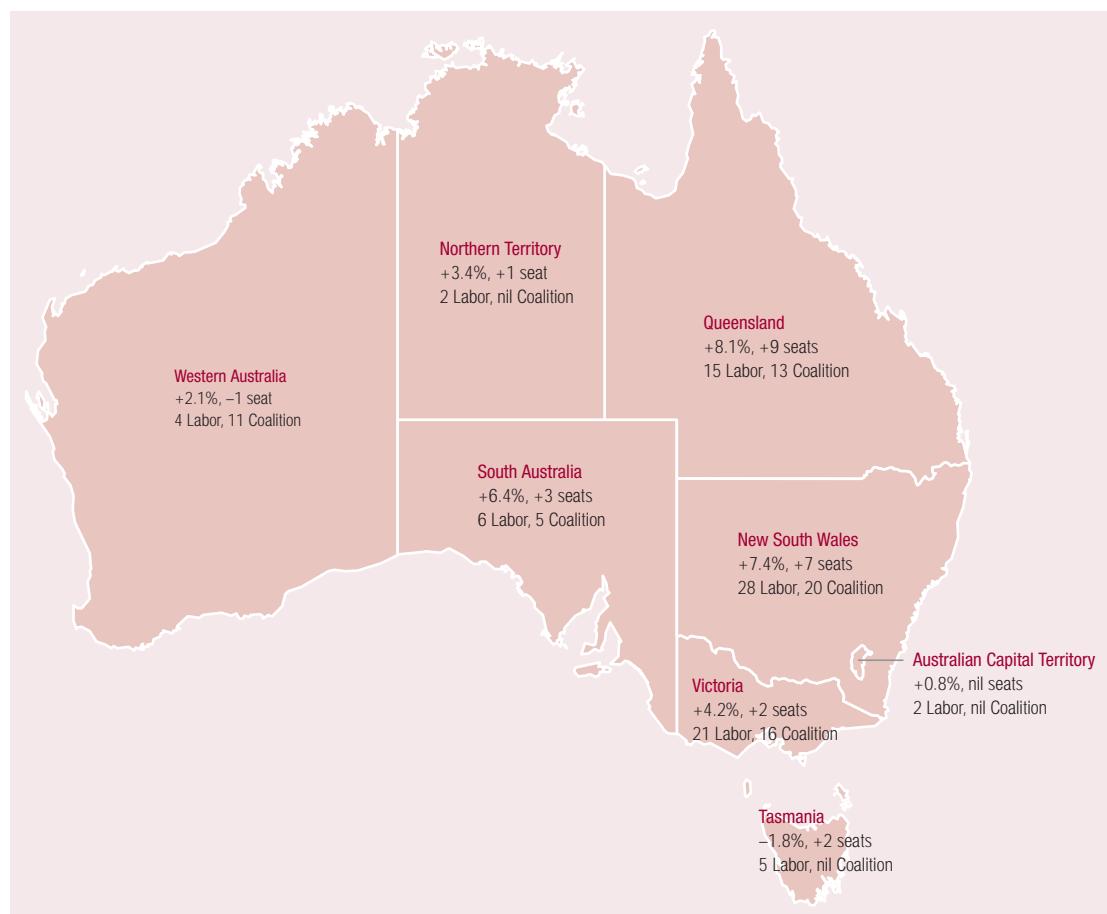
Peter Costello crafted a very politically astute budget with tax cuts as the centrepiece, and a range of other targeted spending initiatives that addressed all the major hot spots. It featured increased recurrent spending on education and a new Endowment Fund for future higher education outlays. However, the budget only produced a slight bounce for the Coalition in the polls; Australians have now been conditioned to regard tax cuts as their right when governments have large surpluses. In any event, they spend rather than save a high proportion of any tax cut, adding to inflationary pressures which cause rises in interest rates for which they then blame the government.

Labor supported the tax cuts and almost all of the spending in the budget, and this began a cycle of "me-tooism" for the remainder of the year. Labor continuously supported almost all of the government's major policy announcements, leading to Kevin Rudd and his party being parodied as lacking in fresh ideas or substance, being caricatured as "Howard Lite", and being alienated from much of Labor's traditional support base.

Peter Costello crafted a very politically astute budget with tax cuts as the centrepiece ...

**Figure 1**

Australian federal election 2007 results:
Results by state, House of Representatives – Labor gains and seats won



The strongest political undercurrent during the year was in industrial relations. The unions' "Your Rights at Work" fear campaign against the government's WorkChoices legislation gathered momentum, and many business groups remained tepid about providing the Coalition any public advertising support despite professing to favour the policy. The government's cause was not helped when, at the eleventh hour, it introduced a fairness test into the legislation that snared an inordinate number of existing Australian Workplace Agreements (AWAs) and created a mounting stockpile of new Agreements waiting to be approved by the bureaucracy.

The government suffered a number of other political setbacks, including the resurrection of the claimed breach of the leadership handover agreement between Howard and Costello, and a number of bungles in handling prominent immigration and visa/deportation cases.

In the second half of the year the Howard government reacted to very serious reported abuse in Indigenous communities in the Northern Territory with an intervention on a scale never seen before. Although controversial, the move gained mainstream support and Labor once again backed the government. Later in the year, in what was perceived as a "road-to-Damascus moment", John Howard later announced a reversal of one of his long-held

stances and suggested an amendment to the preamble to the Australian Constitution to recognise indigenous people. Rudd again followed suit.

The September APEC Conference in Sydney, with Australia as host, had clearly been John Howard's main hope for a domestic political resurgence. The conference itself proved quite successful, especially in attaining a high-level of attendance and in gaining some agreement on climate change. However, during the event John Howard's leadership came under question yet again, with many cabinet ministers reported to be pressing him to stand down before the election campaign. This apparently led Howard to ask for an assurance of support from his cabinet members. Support was not fulsomely offered. Howard nevertheless soldiered on, believing he had the best chance of victory as leader and not wanting to run away from a fight. Then, when much of the media reported the APEC Conference in a superficial manner, the event lost much of its lustre for him.

The 2007 election

John Howard set 24 November as the election date, choosing a very long six-week campaign in the hope of wearing Labor down and forcing it to trip up. He and Peter Costello also endeavoured to launch the campaign with a circuit breaker: substantial tax cuts

TABLE 1
THE ELECTORAL BALANCE

Australian federal election 2007,
House of Representatives results

	VOTE (%)	SWING (%)	SEATS	GAINS
Labor	43.4	+5.7	83	+23
Liberal	36.7	-4.2	55	-20
National	5.5	-0.4	10	-3
Greens	7.8	+0.6	-	-
Family First	1.9	-	-	-
Others	4.7	-1.7	2	-1

Source: Australian Broadcasting Corporation

TABLE 2
THE HOUSE OF REVIEW

Australian federal election 2007,
Senate results

	NEW 2007 SENATORS	CONTINUING SENATORS	TOTAL
Labor	18	14	32
Lib/Nat	18	19	37
Greens	3	2	5
Family First	-	1	1
Others	1	-	1

Source: Australian Broadcasting Corporation

and targeted spending, which would close the gap in the polls and make the contest more even. These tactics were only partly successful because Labor largely matched the Coalition's tax cuts, and it added a few populist sweeteners. However, although Labor did indeed trip up often, the Coalition also had its fair share of gaffes.

A river of gold flowed from the lips of both leaders, as promise after promise was made with both sides trying to checkmate the other. But punch and counter-punch, claim and counter-claim, scare and counter-scare failed to cause any fundamental shift in the poll positions, and on election eve almost all commentators forecast a significant swing to Labor – though few were prepared to write off the Coalition completely.

The election result was the first win at a national level for Labor in 14 years. The party achieved an Australia-wide swing of 5.7 per cent (see Table 1). Its 23-seat gain gave it 83 seats to the Coalition's 65, with two seats won by independents. The main Labor swings and gains were in New South Wales and Queensland, but Labor lost two seats in Western Australia (see Figure 1). The swing was very uneven across the nation. However, in national terms, it transpired that the largest swings to Labor had been mainly in Labor seats, and the final vote-counting revealed that there had not been the landslide that seemed to be the case on

election night. (Given that the Latham factor had probably been responsible for a drop of some 2–3 per cent of the Labor vote during the 2004 election, the Rudd-induced swing was only of the order of 3 per cent.)

Some other significant outcomes from the election result include:

- The amazing variation of the swing from state to state, reflecting the regionalised and local nature of the campaign, which saw leaders criss-crossing the continent day after day.
- Green preferences were crucial to the Labor victory, playing a vital role in a significant number of seats. Labor owes a large debt to the Greens, which will have to be played out over the three-year term, and Greens leader Bob Brown has not been shy in reminding Kevin Rudd of this fact. The Greens have now formally replaced the Australian Democrats as the third force in politics in Australia, and it is reasonable to assume that some former Labor voters who were disaffected with Kevin Rudd's "me-tooism" voted Green this time.
- The joint Queensland Senate ticket between the Liberals and Nationals worked this time, and ensured that Nationals veteran Ron Boswell kept his Senate seat. This matter was the source of much controversy among the Nationals and has now been resolved. It raises again the spectre of amalgamation of the Liberals and Nationals across Australia to form one conservative party to fight Labor. The Nationals have been in secular decline, reflecting the nation's changing demographic patterns.

Senate threat

In the Senate the Australian Democrats lost all of their remaining seats and have disappeared from the political landscape (see Table 2). The Greens won three seats but surprisingly fell short in NSW and Queensland, due partly to the fact that the Labor Senate vote was stronger than has historically been the case. Indeed, the voting pattern in the Senate this time was not so different from that of the lower house, which contrasts with most election results of the past 40 years.

However, at the end of the day Labor was left with a total of only 32 senators out of 76 in the chamber. So, in addition to facing Coalition control of the Senate until 30 June 2008, the Labor government will still require the support of the Greens, Family First, and the new independent Nick Xenophon, from 1 July, to pass all its future legislation. (Equal Senate votes are resolved in the negative.)

The Labor government will be on a knife-edge for three years, and will have a lot of negotiating to do with three very disparate groups in the red upper chamber.

A river of gold flowed
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TREASURER WAYNE SWAN:
PRESSURE ON FISCAL POLICY



Election analysis

It is a rare event for a government to be defeated at a time when the economy is running very soundly, when there is virtually full employment, and when there are no major social dislocations. So it is worth pondering the circumstances of the 2007 experience.

At the time of writing there had been no forensic studies of the causes of the election result. However, the collective wisdom of the commentators suggests that the following factors played a part:

- There was a mood for change in the electorate, given the fact that the government had been in power for 11 years; such an attitude is common nowadays in many organisations. This mood for change was linked to a perception among many voters, fanned constantly by the Labor campaign (especially using modern media directed at the young vote), that John Howard had stayed too long and should have stood down in 2006. Perhaps there was also a resonance with the business community in an era where CEOs tend to move on after three-to-five years for better or worse. Therefore 2007 probably signals the end of the long-term Menzies-type political leader in Australia.
- The image of the government was not helped by the constant revival of leadership speculation and the uncertainty it generated, especially so close to the election itself. Voters were confused about whether Howard or Costello would be leading



FINANCE MINISTER LINDSAY
TANNER: PUBLIC SERVICE
SLASHING AHEAD

the country. If it were Howard then he said he would be leaving in the next term; if it were Costello then opinion polls revealed he was not particularly popular as a potential prime minister. Labor cleverly exploited this Coalition dilemma.

- The Coalition was caught flat-footed during the year, failing to acknowledge the importance of issues where public opinion had changed – notably climate change, housing affordability, broadband, early childhood education and childcare, dental health, and the importance of Queensland in the national picture. Although the government finally addressed each of these issues with reasonable policies, the image of being out of touch remained and provided fertile ground for Labor.

OPPOSITION LEADER
BRENDAN NELSON:
POSITION PRECARIOUS

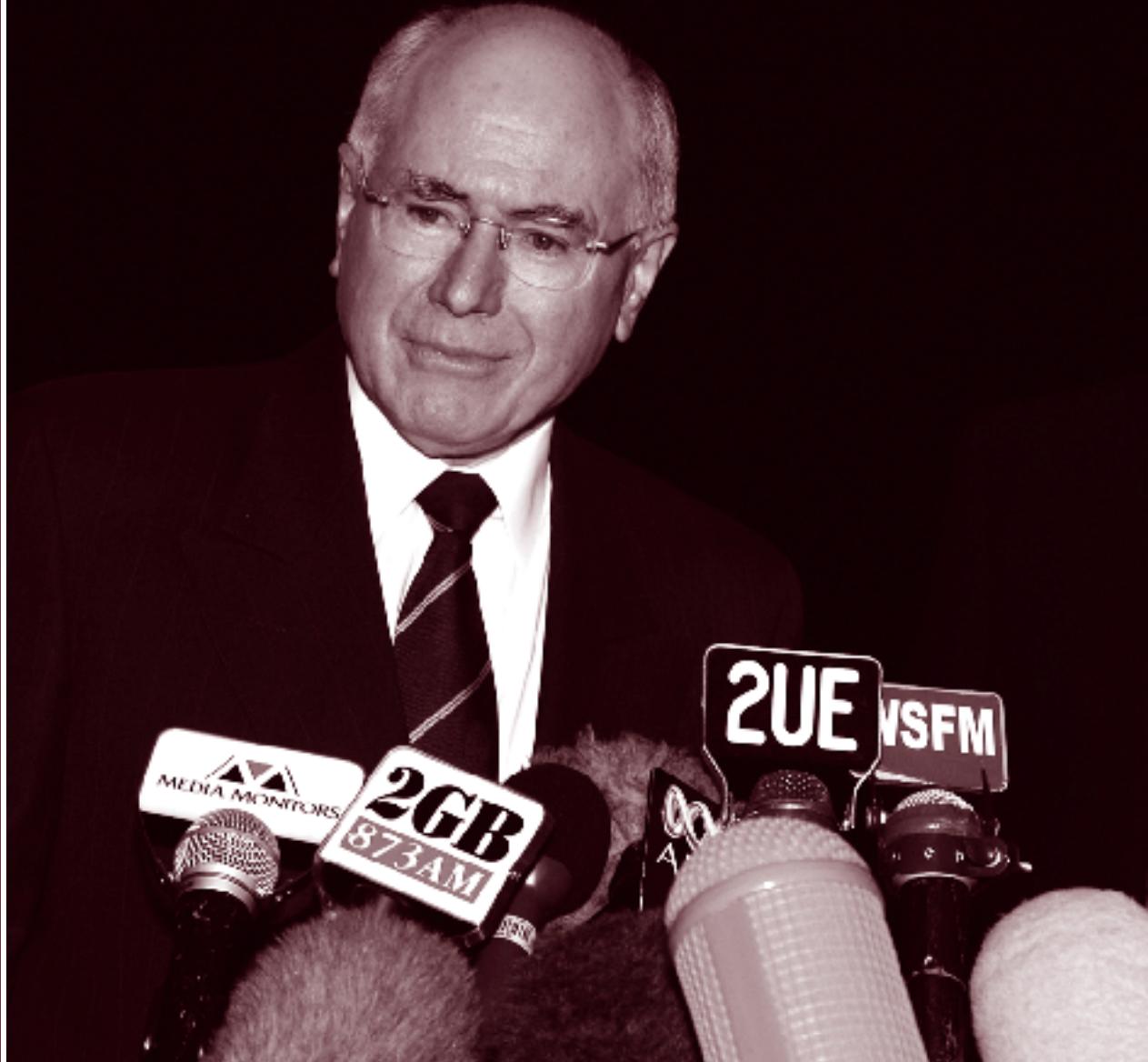


- The Coalition underestimated the depth and impact of the long-running “Your Rights at Work” campaign, a grassroots-level union movement attack on the claimed unfairness of the WorkChoices legislation. The bungled introduction of a fairness test compounded the problem. It is clear that workplace relations determined the result in a number of electorates that Labor won from the Coalition, although by contrast it seems to have worked somewhat in the Coalition’s favour in Western Australia, where unions were more on the nose. Sections of the business community were tepid in their public support for the Coalition, despite opposing Labor’s industrial relations platform.
- The interest rate rises and cost of living rises seem to have caused the famous Howard battlers to drift back to Labor, particularly, of course, in mortgage-belt seats. Labor seems to have done a better job of expressing concern about these issues, although its policies on them actually differed little from those of the Coalition. The curious billboards across the nation, right from the beginning of the campaign, which depicted John Howard telling Australian families that they had never had it so good, were obviously a double-edged sword.
- The electoral strength of the Coalition was weakened by the decision of a considerable number of its good local members not to stand again, partic-

ularly as so many of them were in marginal or vulnerable seats.

- Before and during the campaign, the Coalition conveyed an air of desperation as it attempted to seize upon popular initiatives, even though some were well received at the time. Examples included the takeover of the Mersey Hospital in Tasmania and the conduct of referendums on local government amalgamations in Queensland (which was blunted by the Australia Electoral Commission’s inability to conduct the referendums on the same day as the Federal election).
- The old campaigning formula did not work this time. Previously, large budget surpluses had allowed significant tax cuts to be promised at election time, along with very large scale spending targeted at aspirational voters and marginal electorates. Labor matched just about all of these measures this time, and in any event tax cuts are not the vote-winner they used to be.
- The nightmare factor: in previous election campaigns the Coalition ran a well-disciplined campaign free of hiccups caused by unexpected events. This election was different. Serious problems included:
 - the bungling of the fairness test for AWAs
 - the announcement by the RBA of an interest rate rise in the middle of the campaign
 - the release by the Auditor-General of a report on alleged misdistribution of funding in the Regional Partnerships Scheme
 - the necessity of Malcolm Turnbull as Environment Minister announcing a decision approving the Tasmanian timber pulp mill
 - the leaking of the fact that Turnbull had recommended to Cabinet that Australia agree to the Kyoto Protocol
 - the debacle over Health Minister Tony Abbott’s late show for a National Press Club debate with his shadow counterpart and some colourful language from him to boot
 - the revelation that the government’s own Department of Workplace Relations had breached its own legislation in its work practices
 - the appearance of a racist leaflet in a key marginal electorate
 - the media’s reluctance to ascribe substantial achievements to the APEC Conference
 - the drought and water crisis also did not help an incumbent government, and in one of the ironies of political life, as voters in cities pushed their ballot papers into cardboard boxes to despatch the Coalition, the rain tumbled down so heavily in parts of rural Australia that voters could not reach the polling booths.
- The campaign itself: advertising gurus have commented that the Coalition’s campaign did not build on the government’s strengths or effectively target Labor’s weaknesses beyond a mere scare campaign; that it did not follow through on issues

The role of the media was, as always, a key factor.



which had gained traction at that moment; that it gave confused and mixed messages rather than consistent ones; and that it used the wrong slogans. Howard's announcement that he would definitely be resigning during the next term confused the message considerably. By contrast, the Labor campaign was more disciplined, despite some slips – notably from Peter Garrett on Kyoto and on whether Labor would change all its policies once elected, and from Robert McLelland on the death penalty. Rudd quickly dealt with these slips. Simplistic messages, glib but effective catch phrases, and appearance rather than substance, were the order of the Labor campaign. The *Australian*'s editorial writers described Rudd and Labor as the "triumph of style over substance", observing that Rudd "has put out almost no detail beyond carefully scripted sound-bites and policy statements that amount to padded press releases with widely spaced type".

- The role of the media was, as always, a key factor. From the start of the campaign to election night itself most of the media ran a far more superficial coverage than for past elections. As the *Australian* also editorialised: "In selling his broadbrush agenda Mr Rudd has been aided and abetted by a

sometimes partisan press pack that at times has seemed to be more intent on defeating the Prime Minister than on scrutinizing his opponent". The most notable example was the farcical use of the "worm" to gauge popular sentiment during debates – a technique surely now forever discredited. As always, all the leaders ducked and weaved their way through current and past media probing, but Labor leader Kevin Rudd clearly received an easy ride in this respect, largely appearing for media scrutiny on an agenda and in forums of his own choosing. Curiously, a few newspapers, particularly the *Australian*, ran editorials critical of Labor for just about all of the six-week campaign, but on the last day chose to endorse Labor for government – unlike the other serious national daily, the *Australian Financial Review*, which remained consistent throughout. It was a notable commentary on the depth of analysis by some newspapers when the *Courier Mail* chose to endorse Labor predominantly because Rudd and Swan were Queenslanders.

- The civility of the campaign: it was a tough battle and there were the usual nasty moments and some acrimony. However, this election was marked by a great deal of personal respect between the leaders.

Figure 2

The Labor Party's comeback



Source: Australian Electoral Commission

The graciousness of Howard's defeat was matched by that of Rudd in acceptance of victory, and the handover was smooth. This was a triumph for Australian democracy and a model for the world.

End of an era

The year 2007 marks the end of an era in Australian politics. The most symbolic element is the departure of John Howard from the national stage, probably soon to be followed by Peter Costello. With them go other iconic leaders of Australian national politics, including Kim Beazley, John Anderson and Lyn Alison, and myriad former ministers, shadow ministers and prominent MPs, as well as premiers Steve Bracks (Victoria) and Peter Beattie (Queensland) and Northern Territory chief minister Claire Martin. Never before has there been such a rapid turnover in team membership in Australian politics; it almost rivals the turnover at the top of Australia's corporates.

The key lesson learnt this year has been that longevity of power cannot be assumed even in good times; voters have become either more fickle or more discerning (see Figure 2).

The Howard legacy

Much has already been written about the contribution of John Howard in terms of his traditional conservative policies – a strong economy, tough national security measures, and a strong American alliance – as well as some more adventurous policies, including welfare-to-work, recognition of carers, and direct intervention in Indigenous communities. His political savvy is acknowledged: he could identify issues, fears and aspirations; appeal to battlers who had never voted for the Coalition; and identify key factors in marginal electorates and in the minds of swinging voters. He was a master of “wedge” tactics and of “dog-whistle” practices that spoke to backers of particular policies, while remaining unheard by potential opponents. Also, in more recent times he admitted to past personal misjudgements, including the importance of the vocational education and training sector, the plight of Indigenous people, and the need for greater recognition of their contribution. Some will have memories of Howard's own personal journey, including loss of leadership contests, demotions, the opposition of his own party colleagues, and the derision from media and

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popular columnists; through all of which he kept his political faith, his constructive approach and his tenacity.

Of course he had many critics. Politics is like that. They disliked what they regarded as his meanness, trickiness, opportunism and selfish unwillingness to realise that his time had expired, and that he had failed to realise the importance of renewal for political parties. His harshest opponents attacked what they saw as his lack of stature. To them it was as if he understood the average Australian because he was the average Australian – an adage that John Howard would probably regard as a compliment. After all, “Little Johnny Howard” became Australia’s second longest serving prime minister. As he said of himself during his last campaign, people could loathe him or love him, but at least they knew where he stood.

And it is in the arena of values that Howard will be mainly remembered. Four values that he endeavoured to inculcate into Australian society, based on his interpretation of the philosophy of his party, appear to have been:

- preference for market solutions over government intervention
- policy delivery based on choice with the alternatives delivered through incentives rather than through pure public-sector provision
- encouragement of individual self-reliance rather than dependency
- mutual obligation.

2008: YEAR OF THE MANAGERIALIST

It's becoming clear that the Rudd government has a predilection for process, inquiry and managerialism. The challenge will be for the government to deliver action rather than mere process.

The political contest remains very close following the final 2007 election results with Labor needing to lose only 10 seats to lose government, on a national swing of just 1.9 per cent. That is less than half of what Labor achieved in 2007. Moreover, Labor does not control the Senate and to pass any new legislation it has to horse-trade with three disparate, single-minded groups. This means that the country is back in election mode for the next three years, a situation conducive only to incrementalism. Australia will be on hold in 2008.

To compound this situation, Australia now has a prime minister who is a managerialist, a “process-freak” with a past record as director of the Queensland Cabinet Office and in the conduct of the 2007 election campaign of autocratic, closed decision-making, media manipulation and a lack of attention to policy implementation. Kevin Rudd has weakened the essence of his party and has yet to design its replacement. He leads a cabinet and executive that is far too large and cumbersome with poorly proportioned portfolios, while trying to implement

election promises, the bulk of which are not proper public policies but rather dot-points or catch-phrases. Much work is yet to be done to translate these thin promises into fully fledged credible policies and a vast array of them await the results of a barrage of inquiries and reviews that were foreshadowed during the election. Some election promises have already been bent or almost jettisoned; others will be threatened by disaffected and disappointed Labor support groups who held their fire during the campaign.

Kevin Rudd brings some important strengths to the role of prime minister. A keen intellect is one of his most praised attributes. So too is his capacity for hard work, already so clearly in evidence in the first months of his incumbency. The energy he brings to the position is matched by his personal discipline and determination to steer a steady course and not be unduly influenced by radical proposals or opinion. He has set out to maintain a good working relationship with the business community and has established fruitful lines of dialogue. His track record confirms he has the capacity to see fault-lines in policy design, and this has raised hopes of a rational approach particularly in the vexed arena of Commonwealth-state relations.

The key question facing the nation as 2008 unfurls lies in whether John Howard’s prediction during the election campaign will come true – that Australia would suffer because of the trade unions’ inordinate influence over the Rudd government, and the advent of wall-to-wall Labor governments across the nation.

Cumbersome Cabinet

The total number of ministers and parliamentary secretaries is 42, larger than in most countries of comparable size and over one-third of all the Labor members in Parliament. (Factions can more easily be appealed in a large cabinet.) There are two super portfolios that are far too large. Julia Gillard holds Education, Employment and Workplace Relations, and Social Inclusion, which risks downgrading the importance of education. Jenny Macklin holds Families, Housing, Community Services, and Indigenous Affairs. Neither will be able to give the proper focus to all of these portfolios’ important elements. On the other hand, other portfolios are atomised and barely justify a stand-alone minister or parliamentary secretary. It is also somewhat hazardous to regard parliamentary secretary positions as apprenticeships for newly elected members of parliament. The patent absurdity of the split of environmental matters and the practice of not allowing environment minister Peter Garrett to answer questions on climate change in the lower house has been well exposed. The demotion of the very capable Bob McMullan defies logic. Small business too has been relegated to a second-rate area of concern, a move that will come back to bite the government.



PHOTO: GLEN MCCURTYNE, SYDNEY MORNING HERALD

The ALP structure weakened

With the acquiescence of his colleagues in their desperation for a win, Kevin Rudd has weakened the basic features of the Australian Labor Party (ALP). Under the Rudd formulation the party now no longer operates from an ideological base, and it is meant to be severed from the trade unions. These two factors deny the whole history, mission and purpose of the party.

Absolute power has now been concentrated in the leader, including the power to expel party members, sack endorsed election candidates and select ministers. These developments contradict the key distinguishing feature of the ALP – its democratic base and the importance of rank-and-file participation. Indeed, the various tomes from prominent Labor authors that have been published in very recent times, featuring many of the leading lights of the current ALP front bench and membership, have pleaded for a much greater involvement of the rank-and-file in policy and decision-making in the party. All their pleading has now been contradicted and overridden.

Having copied the majority of the policies of the Coalition, the ALP now has embraced some policies that would have made its founders and deceased former prime ministers turn in their graves. These include welfare payments and tax concessions for middle and upper income earners, non-means-tested grants in areas where need used to be the main criterion, some aspects of industrial relations, and harsh policies for Indigenous minorities and refugees, not

to mention the blurring of public and private service delivery. (Of course, it remains to be seen whether this situation will continue, especially given the millions of dollars in cash and kind contributed to the Labor victory by the trade unions.)

It is true that other Labor leaders like Tony Blair have transformed their party in similar directions, but it was always done based on the conceptual modernisation of the socialist philosophy. To date there have been no signs of any fundamental rethinking of this kind by Kevin Rudd, only managerial incremental pragmatism. He was described by many commentators during the election campaign as trying to walk both sides of the street on every issue so that nobody knew what he stood for. "Pinning down Mr Rudd is like trying to pin the tail on a donkey", observed one editorial.

Ironically, perhaps the greatest challenge facing Kevin Rudd will be maintaining a personal affinity with the traditional ALP base, including the battlers and the ideologues. This will be particularly acute when setting policies for middle and high income earners. He already raised some Labor eyebrows during 2007, when he said that families doing it tough included those with incomes of up to \$180,000 a year, and it is pertinent that the Rudds will probably be the richest family to have ever inhabited the Lodge. This means that Rudd and his Cabinet's Labor credentials will often be tested in the eyes of the party faithful, especially if the Labor government maintains the Coalition's former tax and superannuation policies for upper

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income earners, does not completely dismantle WorkChoices, and keeps the current welfare to work tax/welfare payment interface. Rudd's personal conservative values may clash with many in the left of the ALP especially over indigenous and uranium policies, and the rights of minorities.

Public policy uncertainty

The new government has deferred a considerable array of policy matters to inquiries and reviews (at one count over 100), creating delay, confusion and uncertainty. Many other promises are destined only to take effect in two-to-six years' time. Rarely before have voters ever taken a government on such pure trust.

However, given that Rudd simply endorsed a vast array of former Coalition policies during 2007 there will be some degree of *policy continuity* in many areas. The Labor promises that seem to imply some *policy change* from those of the past government, and involve considerable new expense, are listed in Box 1. However, areas where there were signs of *policy wobbles* by late 2007 include:

- Climate change: confusion continued between Labor's election promises, including its signing of Kyoto, and with its failure at the UN Bali Conference to sign up to any hard and fast medium-term targets, even indicative ones. It presented a confused stance on the obligations of developing countries. "Waiting for Garnaut" (the Garnaut report commissioned by the Labor states on the implications of medium-term emission targets, due in mid-2008) was the excuse given, but Rudd and entourage came home looking for all the world like John Howard on this issue. He was again walking both sides of the street, and Australia was roundly condemned by the Europeans and other countries for not playing the leadership role it had promised to fulfil. It was also accused of hypocrisy after blasting the Americans for not supporting firm indicative targets and, having endorsed softer regimes for developing countries in Bali, was accused of breaking its election pledge (the one where Rudd overrode his environment spokesman on the hustings to insist that developing countries would also have to meet mandatory targets).
- Indigenous intervention in the Northern Territory (NT): especially the permit system and abolition of Community Development Employment Projects (CDEP). Labor says it will wait for a review after 12 months before introducing any changes, but is under considerable pressure from its constituencies to act earlier.
- The referendum to amend the Constitution to include a recognition of Indigenous people in the preamble. Kevin Rudd seemed to contradict this earlier promise during the dying stages of the election campaign and received the mother of all blasts from Aboriginal leader Noel Pearson.

- Workplace relations: much uncertainty remains as to the extent that the Coalition will move to block or amend the Labor reforms in the Senate, or at least amend them. The Coalition still only needs the support of one other senator after July 2008 to achieve this.

- The scrapping by Labor of its election promise to establish a Homeland Security Department based on the American model.

- Human rights: reforms including a charter of rights and a removal of discrimination against gays seem increasingly unlikely to appear in this term.

- Immigration and refugee matters: with the new minister turning one boatload back immediately after the election in the same manner as that of his (Coalition) predecessor.

Several other policies seem likely to require either substantial redesign or outright scrapping:

- The claimed \$3 billion in savings through cutting public expenditure of the previous government. These items have never been fully detailed or properly costed. Given Treasurer Swan's warnings about inflation in late 2007 the government seems destined to cut even deeper, blaming the Howard government. The public service slashing foreshadowed in Labor's election manifesto will most likely be deeper and broader than forecast. Labor's full housing affordability scheme must also be in some jeopardy.

- The so-called Labor "Education Revolution", which is in reality just a few dot points with no context, rationale, costing or implementation details. Moreover, the "Education Revolution" has raised considerable concerns among educators because it ignores the two key ingredients of necessary reform – quality teaching and curriculum, and the Labor states' political will to address these basic matters. Indeed, the centrepiece Labor vote-grabber – laptops for schoolchildren – sends exactly the wrong message in this regard, and many prominent educators see relegation of learning to computers as the problem rather than the solution. The second-largest education pledge – technical blocks for every school – is considered as folly since not every secondary school needs one. Schools can achieve the same result by working in clusters and establishing interfaces with the TAFE system and private training providers. The tertiary education sector is concerned that its needs were barely addressed by the Labor promises and has already begun heavy lobbying. This seems to be causing a rethink.

- Broadband: it still remains a mystery why nearly \$5 billion of public money needs to be provided for faster broadband, when minor tweaking of the regulatory framework would see the private sector doing all the funding and rollout, perhaps with some smaller community service obligation

BOX 1:

Key Labor **promises** that represent **change** and significant outlays

Some of the promises below are over two-to-six years. They comprise:

- budget surplus to be 1 per cent of GDP "over the policy cycle"
- tax cuts of \$31.4 billion, but deferred cuts for incomes over \$180,000
- education tax rebate for 50 per cent of expenditure, but only on certain items by certain students, costing \$2.3 billion
- flattened personal tax scales from four to three; rates to become 15, 30 and 40 per cent
- housing affordability saving/tax incentive scheme
- AWAs to be phased out over five years
- unfair dismissal laws for small business to be changed after 12 months
- new one-stop bureaucracy called "Fair Work Australia"
- the phase-out of the building industry watchdog
- the review of tariffs for the textile, clothing and footwear industries
- increased funding for renewable energy with targets, and for clean coal
- a target to cut greenhouse gas emissions by 60 per cent by 2050; Kyoto agreement signed
- increased funding for public hospitals with the threat of a federal takeover
- reduced hospital waiting lists, conditions attached; super GP clinics to take heat off hospitals
- new training places and trade training centres for all 2650 secondary schools
- full fee-paying places at universities abolished; doubling of undergraduate scholarships
- extra \$6 billion for roads, but including a realignment of Auslink funding
- withdrawal of combat troops from Iraq; maintain defence spending at 3 per cent of GDP
- a separate coastguard
- overseas aid to be lifted to 0.5 per cent of GDP
- some \$5 billion to be spent on the upgrade of broadband Internet infrastructure, taken from the Future Fund
- water buyback of some leases and the release of water to the Murray; tax measures and domestic rebates for urban water; recycling and waste water targets; repair of water systems.





funding for rural areas and the disadvantaged. Labor's intention to use the Future Fund also presents problems: it would defeat the whole purpose of the Fund and creates a very dangerous precedent for future raids on it.

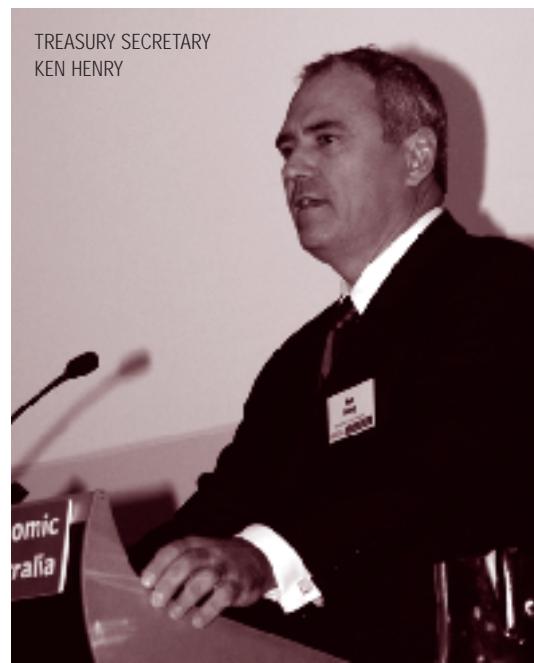
- All areas requiring federal-state cooperation, including particularly health, education, infrastructure, water, business regulation, consumer protection and workers compensation. Labor promised that the mere fact of Labor governments across the Federation would ensure reform. But this is a fallacy borne out neither by history nor practice. Already some states have begun to express reservations about full collaboration and agreement. At the first two Ministerial Council meetings after the election, in the health and education portfolios, ministers vowed that sweetness and light had transpired. Yet it was soon revealed that the Rudd government had used threats and performance targets to cajole the states, a practice reminiscent of the Coalition.
- It is doubtful whether Labor can implement its election promise to have the Australian Competition and Consumer Commission (ACCC) control prices of petrol and groceries in the manner outlined in its manifesto.

Governance

After his first Cabinet meeting, Kevin Rudd issued a Ministerial Code of Conduct that was well received. It covers most areas of past contention in Australia, including ministerial shareholdings, the role of lobbyists, post-ministerial employment and other conflict of interest situations. However, the code is still ambivalent about the proclaimed cornerstone of the Westminster system – ministerial responsibility – and even admits that this can justifiably be watered down in some circumstances. Together with a revised public service code it is also short on significant remedies to stop the politicisation of the public service, which has become endemic and epidemic across Australia. In particular, it does not abolish the insidious practice, which has crept into most Australian jurisdictions, of having contracts of agency heads determined and controlled by the prime minister rather than the minister or preferably by an independent body. Rudd's suggestion of key performance indicators for ministers will also be seen as intimidation from a man who so centralised policymaking and froze out ministers in the Queensland government under Premier Wayne Goss that he contributed significantly to that government's loss of office. The codes also do not really clarify the ambivalent status and role of ministerial staff and advisers in the policy process and governance regime.

There have been welcome moves by the Rudd government to reform freedom of information laws. This was a major issue in 2007 and saw prominent

TREASURY SECRETARY
KEN HENRY



leaders from the media industry calling for substantial reform. Some scepticism remains, given that many parties have made these promises in the past before assuming government, only to renege on them as their term has continued. Here again Kevin Rudd's past role in weakening freedom of information laws and practices while he was director of the Queensland Office of Cabinet are coming back to haunt him, as is the demoralisation of the state public service at that time.

The independence of the RBA was an early issue for the new government, with the RBA itself agreeing to be more timely and open in its explanation and justification of its decisions on interest rates. (One wonders why it took a change of government for the Bank to mend its ways.) The new government has promised more transparency in RBA board appointments and signed an agreement with it. Significantly, that agreement does not include the severing of the Governor's tenure if interest rates go outside the agreed band, a practice which disciplines heads of central banks in some other countries. It fails to include geographical representation (or even state government nomination) for the membership of the central bank board, a fairly successful practice in the German federation. It also does not remove the anomalous situation of Dr Ken Henry as Secretary of the Treasury sitting on the Board of the RBA and thus being perceived as a cuckoo in the nest. Such a situation is not conducive to ensuring a perception of independence for the RBA, despite his unquestioned integrity. Indeed, the RBA says it will henceforth reveal the voting behaviour of board members, which will compromise him even more. In fairness to Dr Henry, his position should be removed from the board membership.

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BOX 2:

Constitutional Convention

The potential topics for a Constitutional Convention based on previous Australian experience and recurrent unresolved issues and debates include:

- a more inspiring preamble that also gives recognition to Indigenous people
- fixed four-year terms for parliament
- changes to sections 51 and 52 to rearrange the roles and responsibilities of the three levels of government, either by reassignment of functions or by identifying the role of each level in shared functional areas. Functions not currently mentioned in the Constitution, such as the environment, could be added. A convention could also address the Commonwealth's current unusual ability to use federal Constitutional power (for example, external affairs and the corporations power) to override the powers of the states
- the extent of vertical fiscal imbalance (the difference between revenue-raising and spending responsibilities of the states and the Commonwealth), with a new approach to tax assignment or tax sharing among the three levels of government as practised in other federations
- breaking the nexus, in Section 24, between the size of the Senate and the House of Representatives, to cap the growth or even reduce the size of the large Senate
- either the removal of the Senate's power to block Supply, or modification so that if the Senate does block it and hence force the lower house to an election, the Senate would also be dissolved and face an election
- clarification of the principle of ministerial responsibility and the relations between the executive and parliament
- a Constitutional Charter of Rights and Responsibilities
- constitutional recognition for local government
- the creation of a new state in the Northern Territory
- a republic (but what kind of republic?).

(Amendments to the Australian Constitution have to be passed by both houses of parliament and then put to referendum where they must be approved by a majority of voters in majority of states. Since 1901, eight proposals have passed out of the 44 that have been put to the people. History shows referendums have a chance of approval only when they have strong bipartisan support.)

The retirement of Justice Michael Kirby from the High Court in 2009 will give the Labor government the chance to appoint a replacement, which could have a significant impact on many areas of governance including federalism, rights and freedoms. Justice Kirby's own call for reform of Australia's privacy laws will also be on the agenda of the government in its first term.

Other governance issues that have been raised as a result of the election of the new government include:

- changes to toughen merger laws and strengthen business regulation, with a stronger role for the ACCC, including jail sentences
- the heavyweight contest between Telstra and the ACCC, which seems destined to continue with neither side showing any sign of flagging. The government decision on the contract for broadband provision will add yet another round to the never-ending bouts in this title fight, which now rivals *Blue Hills* as Australia's longest-running saga
- a Charter of Rights for the Australian Constitution, especially as three states and territories now have something resembling a Bill of Rights, and Labor seemed to make a half-promise during the election to consider the matter
- provision for an elected member of the staff on the board of the ABC, as occurred under previous Labor governments
- changes to the electoral laws to reverse some of the Coalition's changes, especially those regarding the limit for disclosure of campaign donations and the date of closure of the electoral rolls following the announcement of an election.

The other big governance matter to be addressed in 2008 is, of course, federal-state relations, a key reform target of the business sector throughout 2007.

Watch these developments in 2008

The Senate: The first six months of the Rudd government will be a rough ride as the Coalition will control the Senate and is unlikely to give *carte blanche* to any government legislation, even if it was in the ALP election platform and can be argued to be part of Labor's mandate. This is especially true of the projected two-phase process announced by Julia Gillard for WorkChoices legislation and the abolition of AWAs. Politically, the Coalition cannot afford to be seen to simply lie down and accept these moves. Theoretically, the Coalition could block Labor's first budget. After July much Labor energy and time will be taken up with unceasing negotiations and horse-trading with the mélange of minority groups in the Senate, on most of its legislation.

Climate change: The government has now, in Bali, created considerable confusion and inconsistency between its professed support for medium-term carbon emission reduction targets and its concerns

for the economy. Professor Ross Garnaut's report on mid-range emission targets is due in the middle of 2008. The UN will undoubtedly schedule regular meetings following the Bali Conference to move towards a post-Kyoto treaty, but its Bali road map looks more like a mud map with little certainty of destination. Australia's position is somewhat pivotal to both the developed countries, and also to the relationship between the developed and developing countries. So the government will be under intense international and domestic pressure on this topic for the whole first term of office, especially from the Greens who now hold a powerful position in the Senate and whose preferences were crucial in the election of the Labor government.

The Council of Australian Governments (COAG): Reforms to health, education, training, infrastructure, business deregulation, housing, and hopefully water, will depend on progress at intergovernmental meetings beginning at the end of 2007 and no doubt recurring at more frequent intervals than in the past. With no election due anywhere in Australia in 2008, there should be room for some clearer rational thinking. But all will not be the sweetness and light, which Kevin Rudd has promised, and some state premiers have already expressed doubts regarding some federal-state topics. If the states cannot agree on the Murray-Darling, energy reform, and privatisation and public-private partnerships, the Commonwealth will have to step in. Expect only process and few results from COAG in 2008.

Federal Budget: Treasurer Wayne Swan has left himself little room to move, having copied just about all of the Coalition's taxing and spending promises. Experts predict more pressure on these fiscal policy settings from economic growth, inflation, supply-side constraints, international trade and capital movements, demands from overseas investors, and continuing drought effects. Access Economics has severely chided Labor for its large spending commitments and has advocated an urgent review of them. Expect harsher cuts than already promised, to Commonwealth dollars and to public servants.

The RBA: Most economists are predicting an interest rate rise or two in the first half of 2008. Labor will blame the previous government, but its own costly election promises will also come under the spotlight. The interest rate rises will provide grist to the mill for new finance minister Lindsay Tanner as he goes about slashing existing public sector spending programs. But rate rises will also strain the election pledges made on housing affordability.

Wage rises: The successor regime to the Fair Pay Commission is buried in Labor's complex policy platform on industrial relations. No matter, it seems inevitable that wages will rise faster in 2008. This will force the government either to take some restraining action, incur the wrath of the unions,

Expect harsher cuts than already promised, to Commonwealth dollars and to public servants.



and threaten any independent umpire that is created – or to do nothing and have the Coalition say “told you so” as they attribute wage rises to the abolition of WorkChoices.

Infrastructure: A new national ministry is to be created, but there is little clarity about its brief beyond a monitoring and encouraging role. Will it control all infrastructure for all departments? Will it control modern (for example, telecommunications) as well as old-style infrastructure? Its relations with the states, which are largely responsible for infrastructure under current arrangements, is also unclear. This is especially poignant since New South Wales and Victoria in particular are about to embrace significant expansion of privatisation and the use of public–private partnerships for social as well as economic infrastructure.

Iraq: All eyes will be on the British scaling-down, with its potential lessons for the like-minded Rudd government’s similar pledge. It is clear that both the US and Iraq governments will be advocating a cautious approach.

The Northern Territory intervention: The government will come under intense pressure from some Indigenous leaders and other Labor-aligned groups to modify aspects of the intervention, particularly CDEP, the permit system and the alcohol plan. Others want no relenting and would also like to see the initiative introduced into Cape York. The government seems unlikely to be able to hold out until the promised 12-month review.

Beijing Olympics: With the eyes of the world on its organisational capability, remarkable economic growth, and escalating pollution levels, China’s stance on international issues is expected to move towards the stances of the developed nations club. As China is one of Australia’s leading trading partners, this transformation will be of considerable significance to us.

The US election and the alliance: The US election in November 2008 may have positive policy implications for the Rudd government, especially if the Democrats should win the presidency and achieve effective control of the Congress. This is especially so in the arenas of defence, environment, humanitarian aid policy, and support for the UN multilateral system itself. By the end of 2007 the Rudd government had alienated the Bush Republican administration through its attack on the US stance on climate change, and through its planned Iraq withdrawal.

Heavy hitters in Parliament: The fiercest clashes of the titans on the floor of parliament, apart from that between leaders Rudd and Nelson, will be between Wayne Swan and Malcolm Turnbull, Julia Gillard and Julie Bishop, and Peter Garrett/Penny Wong and Greg Hunt, reflecting the evenly matched debating strengths of these combatants and the centrality of the economy, education, workplace relations and the environment in 2008.

Whereas previous Labor governments brought us *Working Nation* and *Enterprise Nation*, Kevin Rudd seems set to deliver *Process Nation*.

A constitutional convention

The premiers, broadly supported by parts of the business community, are reported to want a constitutional convention on federalism to occur in 2008. Indigenous leaders are impatient for a constitutional rewrite to achieve recognition. Labor has also pledged a Charter of Rights and a republic. These matters will be a real test for the Rudd government’s appetite for fundamental reform of Australia’s governance. See Box 2 for some subjects that a convention could cover.

Future of the Coalition

The Coalition is within reach of victory in 2010 if it can revitalise itself. It needs just 12 seats and a swing of 2.4 per cent. The front bench chosen by leader Brendan Nelson is talented and strong, and certainly a match for Labor. Of course, Nelson’s own position will always be somewhat precarious, given the closeness of his leadership contest with Malcolm Turnbull who, according to the polls, appears more popular as a potential prime minister.

The first obvious area for significant review and reform is the fundamental matter of where the Coalition party pitch themselves on the political spectrum. A further shift to the centre seems the clever choice. Revised policies would follow, probably accommodating the areas where the Coalition was found to be flat-footed in 2007, taking account of shifting public opinion but recognising the values and legacy of both the Liberals and the Nationals. The need for the two parties to amalgamate seems patently obvious to everyone, except to a few of the key figures in the parties themselves, and it would be better to do it on the offensive rather than the defensive. Organisational aspects are crucial, including better candidate preselection methods, more effective national/state branch coordination, and the need for strong leadership from the organisational wing as well as the parliamentary wing. Exactly the same dilemma confronts the Conservative parties in Britain and Canada, and an exchange of views and experience may be fruitful.

The views expressed in this article are those of the author, and should not be otherwise attributed.