



## Political overview



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## Retrospect 2009

There has rarely been a more turbulent year in Australian politics than this year.

The Rudd Labor government remained well ahead on all the poll counts throughout 2009, despite seeming to lurch from one policy bungle to another, whilst spending and committing significant sums of money (which had been bequeathed to it by the former Howard government), to address the Global Financial Crisis (GFC). On the other major issue of the year, climate change, the government clearly outfoxed the Opposition all year in terms of tactics, coming within a whisker of having its Emissions Trading Scheme (ETS) passed into law before the Copenhagen Climate Change Summit. However, the Opposition's switch to Tony Abbott as leader very late in the year brought the government's run to a pause on this issue.

The Liberal Party virtually imploded during 2009, experiencing a bitter change of leaders three times, always with the spectre of Peter Costello in the background until his resignation, finally, from parliament. The Coalition itself remained in a state of internal tension for almost the whole year until the defeat of Liberal leader Malcolm Turnbull by Tony Abbott by just one vote in the party room. This resulted in the ultimate rejection of Labor's ETS in the Senate and hence the restoration of harmonious Coalition relationships. Coincidentally or otherwise, in the midst of this turmoil, the Liberals won two crucial by-elections in December, retaining two of the jewels in their line up, namely, the seats of former leader, Brendan Nelson, and Peter Costello, the leader who could have been but never was.

Socialism returned to prominence in Australia in 2009. Primarily as a result of the massive fiscal stimulus package and resultant public debt, in Australia as in many other western countries, government intervention brought a considerable expansion in the role of government and its direct involvement in the economy. This was dressed up as a necessary measure in the public interest and a return to Keynesian economics. However, it also sat very neatly with the Rudd government's socialist agenda and the Prime Minister's personal denunciation of capitalism, which unfolded throughout the year. Manifestations included heavy spending and ownership in telecommunications, the introduction of means testing or increased severity of existing means tests in several government programs, attempted redistribution of incomes through changes to health insurance rebates and taxes on employee shares, superannuation taxation and changes to industrial relations laws removing a number of aspects

of private enterprise flexibility. Various regulatory regimes, including those relating to the finance sector, also were tightened. Impasses with the states over functions such as water, infrastructure, education and health were resolved only through major additional spending. Together with the pronounced growth in total state government employment, wage rises and debt, this has resulted in a significant cranking up of the size of the Australian public sector.

## The Polls

Throughout the whole year, the Rudd government retained a very comfortable lead over the Coalition. The only time it was threatened was during the turmoil over its handling of border protection when a significant increase in the number of boatloads of refugees and asylum seekers caught the government both unawares and unprepared. Rudd's own popularity also remained high and was correlated with support for the government as Figures 1–5 reveal.

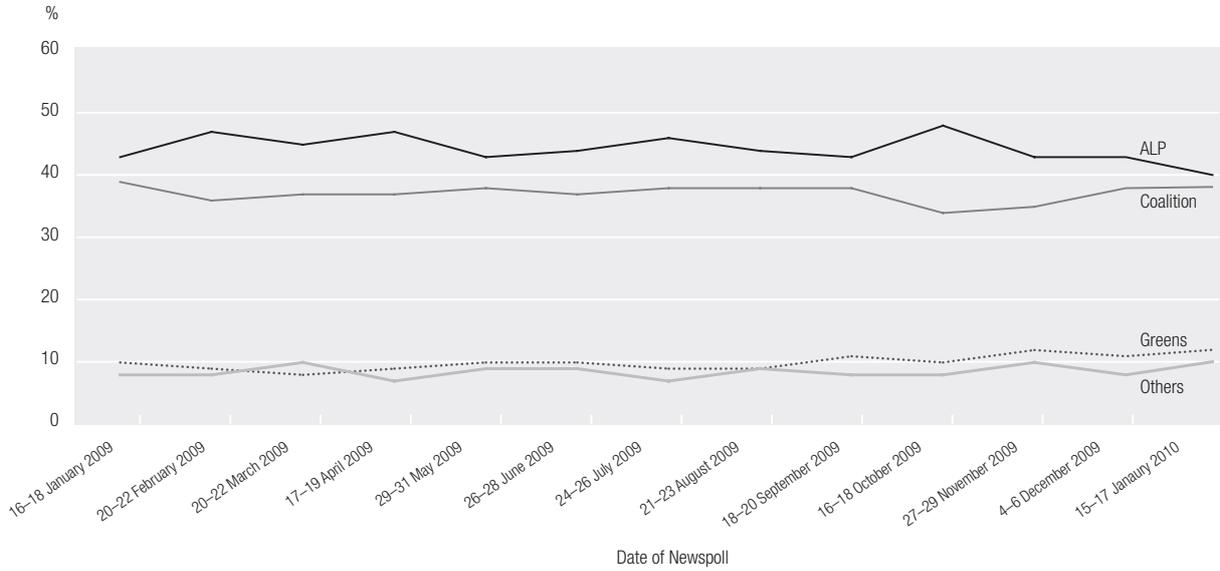
There was only one state election in 2009, in Queensland. The Bligh Labor government was returned in March with a considerably reduced majority against the newly formed Liberal National Party, an amalgamation of former Coalition partners. The Premier subsequently revealed the parlous condition of Queensland's finances including its debt levels and the significance of the loss of the state's triple-A credit rating. Then, when the premier announced the sale of key state assets, including components of rail, ports and forests, the public reaction was instant; believing that the Premier had not revealed plans about asset sales during the election, the government's stocks progressively declined during the year and Bligh's popularity plummeted. These developments attain significance because Queensland will be a major battleground in the coming 2010 federal election.

Federal by-elections in 2009 included the seat of former National Party leader, Mark Vaile, won by an independent, and the seats vacated by Alexander Downer, Peter Costello and Brendan Nelson, retained by the Liberals.

## Key political issues

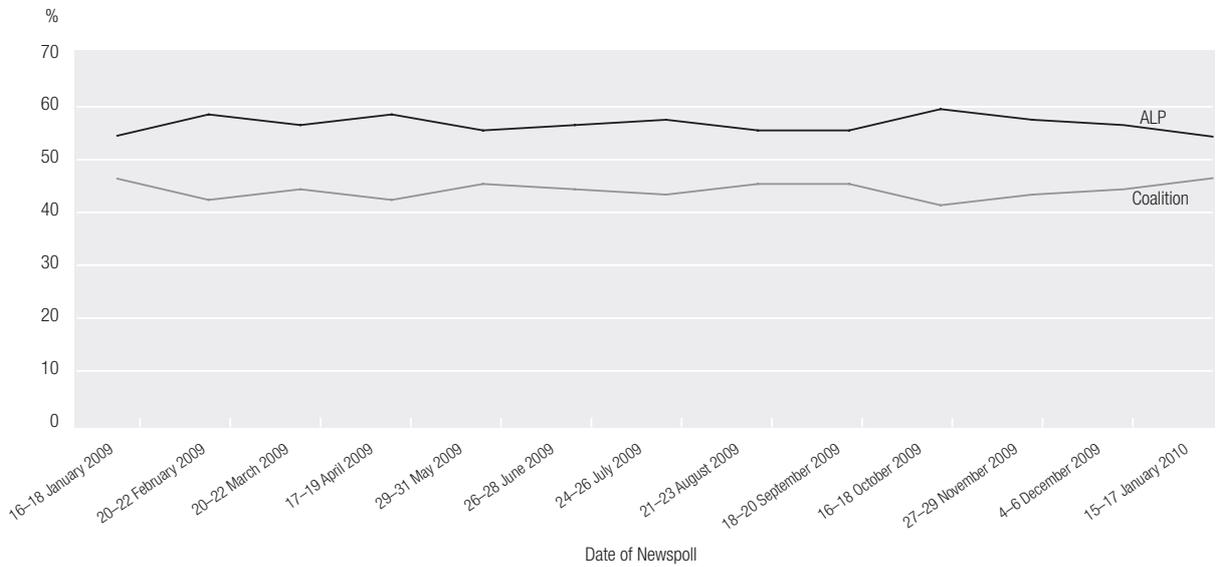
Many of the major political issues resolved during 2009 had received a quick response from government but of them, a large number became policy bungles. Others broke election promises. This was so endemic to the policy landscape in 2009 that it seemed to reveal a systemic pattern within the government of

**Figure 1**  
Primary vote



Source: Newspoll Market Research, January 2009 – January 2010, *The Australian*.

**Figure 2**  
Two party preferred



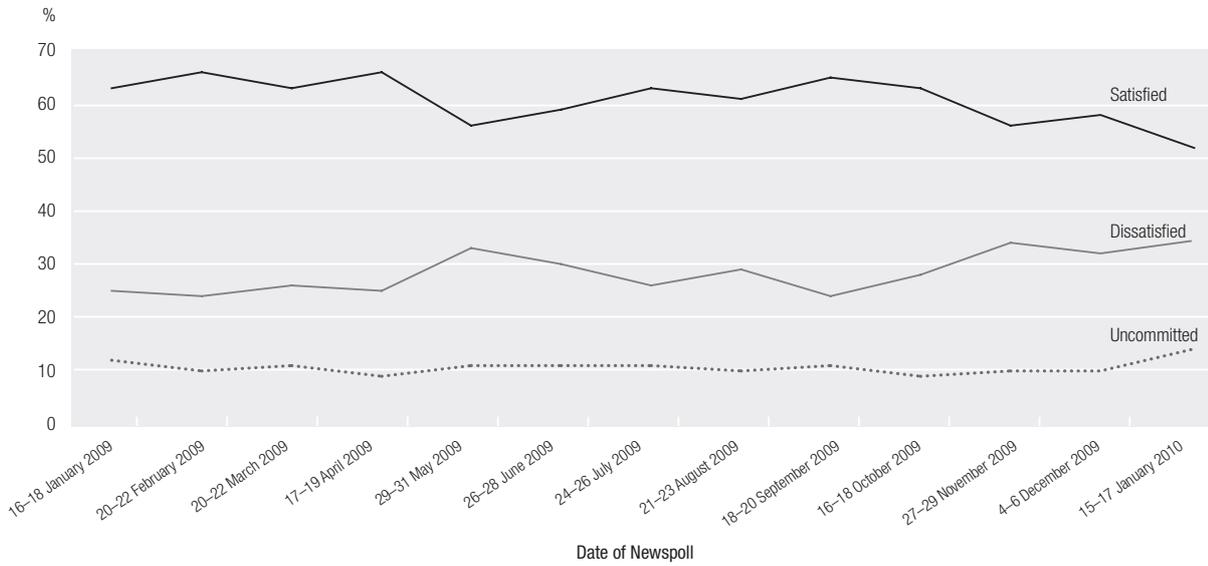
Source: Newspoll Market Research, January 2009 – January 2010, *The Australian*.

poor consultation, inexperienced ministerial guidance, lack of sound evidence-based research, ideological fervour, and possibly a demoralised and confused public service competing with the vast array of private consultants being used across the whole of government. The major issues of 2009 included the following.

**Global Financial Crisis**

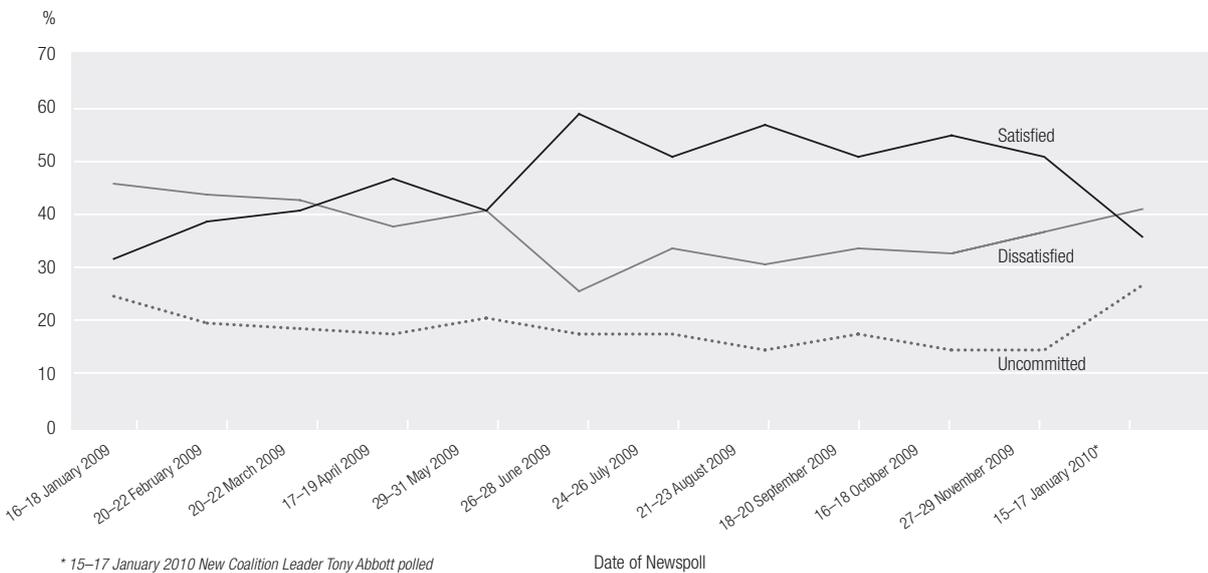
The Rudd government won plaudits for its fast action to address the GFC. Unlike most countries, Australia was in a sounder position to address the crisis because the Howard/Costello government had created a large surplus, including a number of Trust Funds, and had

**Figure 3**  
Leaders approval rating – Kevin Rudd



Source: Newspan Market Research, January 2009 – January 2010, *The Australian*.

**Figure 4**  
Leaders approval rating – Malcolm Turnbull / Tony Abbott



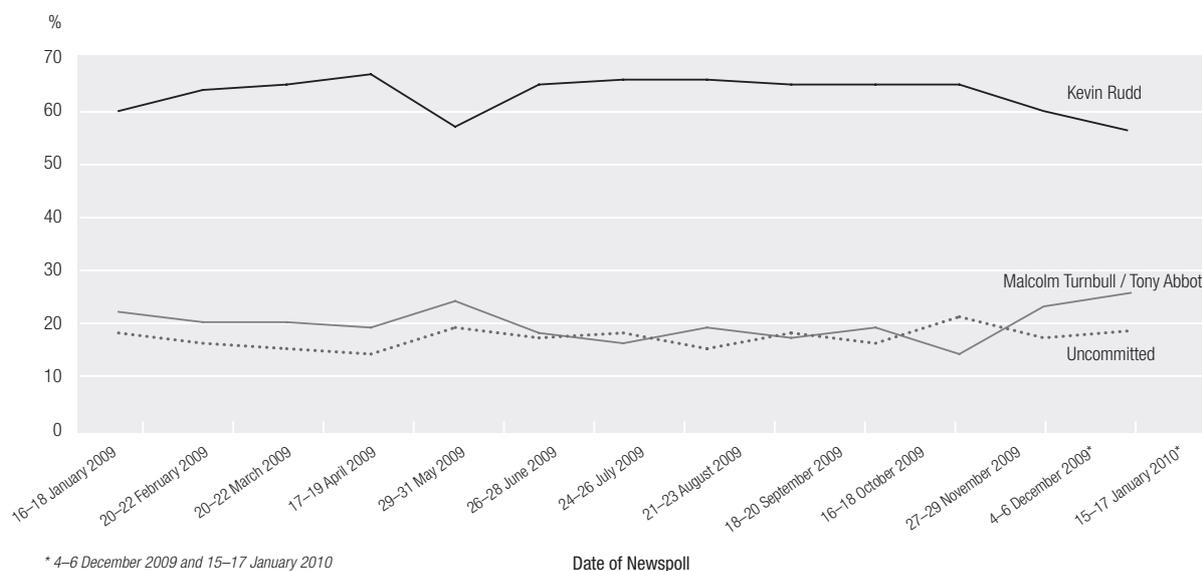
Source: Newspan Market Research, January 2009 – January 2010, *The Australian*.

written off debt; factors that the Prime Minister, Kevin Rudd and the Treasurer, Wayne Swan have rarely acknowledged. A stimulus package was prepared in haste targeted at boosting spending for households and business with a prime emphasis on employment and generating ‘shovel ready’ projects.

However, it was not long before substantial cracks

began to appear in the stimulus package. It has subsequently emerged that the spending on infrastructure was scarcely subjected to rigorous cost-benefit analysis. When it was revealed that the major education building program for all recipient schools featured plaques, to be unveiled by the Deputy Prime Minister or her nominee, it became clear that this was just a

**Figure 5**  
**Preferred Prime Minister**



\* 4-6 December 2009 and 15-17 January 2010  
New Coalition Leader Tony Abbott polled

Date of Newspan

Source: Newspan Market Research, January 2009 – January 2010, *The Australian*.

recipe for patronage. As the building program rolled out there was a plethora of complaints from schools forced to build facilities that they did not want rather than the ones they really needed. Schools about to close received funding. States misallocated funding and botched tenders. No consideration was given to the educational worth of the building projects. Eventually Minister Julia Gillard, who had been in constant denial, admitted that the program was faulty and part of it would be deferred.

In relation to the individual stimulus payments, here a lack of rigour also appeared. Centrelink was given no forewarning whatsoever of the payments, yet was expected to set up the whole system for instant delivery. Grants were given to deceased persons and other ineligible people; pensioners sat in bewilderment as their cheque arrived. By the end of 2009, it appears that only slightly more than half of all individual stimulus payments were spent.

All in all, the stimulus package certainly stimulated the economy, as such a massive amount of government spending should. However, its poor targeting seems to have resulted in having much less effect than it could have achieved had it been properly designed. By the end of 2009, international and domestic experts were advocating that stimulus spending be curbed but the government doggedly kept spending, facing the blame for the interest rate rises which occurred at the end of the year. The OECD chastised the government for not performing proper cost-benefit analyses on the components of the package.

### Climate change and emissions trading

Throughout the course of 2009, the government kept changing the parameters of its approach to the reduction of global warming. A renewable energy package was passed but ran into trouble when the subsidies for elements, such as insulation and solar panels, proved to be faultily designed and caused disruption in the industry and lack of supplies.

It was the Emissions Trading Scheme (ETS) which saw most convolutions of policy change with concessions given to the loudest protestors (who were also usually the largest emitters), provoking criticism from Ross Garnaut who had been engaged to produce an expert report but now saw many of his recommendations ignored. Other concerns arose when all the other meetings that preceded the December Copenhagen Climate Summit clearly indicated that the big global emitters were not going to enter the kind of commitments that the government was wanting to impose here. This raised the real prospect of Australian jobs being exported overseas as climate change merged into trade and protection policy.

However, the greatest conundrum surrounded the horse-trading with the Opposition under Malcolm Turnbull's leadership, which saw the government exempting agriculture and agreeing to a range of other Coalition amendments. This was partly to achieve a solid position to take to Copenhagen, but also to destabilise the Opposition which was very divided on this subject, some members being outright sceptics about global warming itself or the human impact,

others arguing that it made no sense for Australia to make firm commitments until all other countries had done so as well. Turnbull's stance would have delivered Rudd a major political victory but also revealed Turnbull's political naiveté, irrespective of his personal beliefs and commitment, as well as his fear of a possible double dissolution election on the Bill.

Possibly the most telling fact in this whole episode was the large number of Australians who did not understand how an ETS would work and whether it would really lower carbon emissions, not to mention the costs it would incur. Polls showed a majority wanting some action on climate change but little or no understanding of the scheme being proposed. The speed with which politicians on both sides rushed to make firm commitments on such a lifetime policy change, without entering into proper mass education and public consultation was very disturbing. State governments remained curiously muted throughout the debate despite the major costs they would incur and the paltry compensation being offered to them by the Rudd government.

Anyway, the replacement of Malcolm Turnbull by Tony Abbott as Liberal leader saw the Coalition almost unanimously vote against the government's Bill, pleasing the National Party which had been violently opposed to it all along, and in the process, generated Coalition unity. The Greens voted the Bill down because it did not go far enough. Late in the year much expert opinion, including the IMF and the original international author of the climate change reports, began to turn against emissions trading as a means to combat climate change and favoured a carbon price and tax instead. A CEDA report also came out strongly in favour of a carbon tax over an ETS, in part because the nature of the trading was in carbon derivatives across jurisdictions of questionable financial governance. A carbon bubble should be replaced by a rising tax on emissions at source, with the tax being passed to the consumers of the fruits of emissions as part of a consumption-based carbon tax.

### **Border protection**

Always a sensitive issue in Australian politics (and credited with having won an election for John Howard), the issue of border protection was again in the fore in 2009 as a significant increase in boatloads of refugees and asylum seekers approached Australian waters. The Christmas Island detention centre quickly filled to overflowing and without the former 'Pacific Solution', which Labor had denigrated and scuppered, the Rudd government was under severe pressure. The Prime Minister quickly brokered a remarkable deal with the Indonesian president,

creating an 'Indonesian Solution'. To the chagrin of Indonesia's regional governments and to Australia's shame, a boatload of refugees sat for nearly five weeks being denied permission to land. When finally they disembarked, they were housed in facilities contrary to the Prime Minister's promises and appeared to be given fast-track immigration processing which caused significant anger amongst other refugees awaiting their processing. One of Labor's own backbenchers expressed her shame at the government's performance, which she regarded as far from the 'tough but compassionate' description given by the Prime Minister.

### **Interest rates**

For most of 2009, interest rates remained low but when the Reserve Bank of Australia (RBA) granted three increases towards the end of the year (one of the first central banks in the world to do so), political concerns began to be rekindled especially in the light of the still moribund housing market. The fact that some banks, in announcing rate increases in excess of the RBA increments, and their subsequent admonishment by Treasurer Swan, provided a niche for the Opposition to claim that the government was soft on banks and was causing the problem of interest rate rises through upholding its stimulus package rather than winding it back. The government stuck to its line that interest rates were still at historic lows, saying in effect that borrowers would have to wear it. Funding for the First Home Owners Boost scheme was shortened during the year, providing a double whammy for home buyers facing rising interest rates.

### **Infrastructure**

At long last, in 2009 Infrastructure Australia began to produce a list of priority projects although the basis of their assessment was not fully revealed. Meanwhile, the states grappled with significant infrastructure challenges without much sympathy or financial support from the Rudd government, which hid behind the effects of the GFC whenever the issue was raised. The government even took to charging states a premium to access the Commonwealth guarantee for borrowings.

### **Education**

The government's much touted 'Education Revolution' progressively unravelled throughout 2009. The poor design of stimulus package spending for schools captured most of the limelight but Labor's election promise of laptops for schools also fell well short of expectations. The national curriculum remained mired in a mixture of controversy and mystery. It seems



destined not to be a truly national initiative with states being allowed to opt out or reinterpret many aspects. The government did produce comparative measures of school performance based on the new national literacy and numeracy tests, to the annoyance of the education unions, principals and teachers, and amazingly some parents' groups.

### Health

The Australian health system deteriorated even further in 2009. Waiting lists for most forms of treatments grew, critically ill patients were left waiting on hospital verandas for a bed and ambulances turned away from public hospital emergency centres. The Minister, Nicola Roxon, dithered about many elements including the election promise to take over state hospitals if performance did not improve, medical insurance rebates and Medicare reforms. The government did introduce a needed dental health scheme. The promised GP super-clinics, which had produced vociferous opposition from the AMA, many GPs and other health professionals, had barely begun to be rolled out by the end of 2009 (3 completed out of 35 promised). The ultimate insult was the procrastination at COAG where, at year's end, the best that the Prime Minister and Premiers could deliver was an announcement that decision-making procedures would be addressed in 2010.

### Water

It was not a good year for Water Minister Penny Wong regarding her responsibilities for water. This was especially true in relation to the Murray-Darling system with continuing controversy and constantly changing practices on water buy-backs, funding for compensation and incessant wrangling between the states.

### Broadband

To the government's embarrassment, Minister Stephen Conroy had to concede that there had been no acceptable bids to establish the government's much touted National Broadband Network (NBN), featuring fibre-to-the-home networks. (Telstra had been frozen out of the bidding process.) Experts said that the whole NBN scheme was uneconomic and would not deliver to some 90 per cent of the homes to whom it was promised. This took place in the midst of the government's attempt to restructure Telstra and separate its network ownership from its above-the-line telecommunication operations. The Minister kept changing tack at dizzying speed and by the end of 2009 seemed to indicate that the reformed Telstra could have a role in the new NBN network which had begun to be laid in Tasmania. Strident opposition by shareholders to the breakup of Telstra seemed to put this on hold, despite the much friendlier stance towards the government from the new Telstra board and CEO. The economics of the NBN have never been properly revealed nor justification given for using public rather than private funds. Moreover, its feasibility was thrown into doubt when studies revealed that consumers did not want to pay the extra premium for faster broadband speeds.

### Workplace relations

The promised national award restructuring did not go well in 2009. Minister Julia Gillard intervened and overrode the independent machinery repeatedly to set new parameters for certain industries as anomalies were revealed and violently resisted by the industries concerned; the restaurant industry being the quintessential case. The Australian Industrial Relations Commission finally decided to exempt professional and managerial categories from award restructuring after intense lobbying from these sectors. Meanwhile,

not every state agreed to transfer their industrial relations' powers to the Commonwealth and those that did reserved the right to exempt certain sectors or flag the possibility of opting out. Exemptions for small business were severely weakened especially regarding unfair dismissal. By year's end it was a very confused picture.

The government announced its 'Innovation Policy' during 2009 but it fell far short of the recommendations made by its own expert advisory group. Together with generally reduced and convoluted funding for research, including in universities, the measures seemed to be something of a damp squib compared with what had been promised.

Taxation on employee shares emerged as a first-rate policy bungle by Treasurer Swan. Clearly having high level executives and their packages in his sights, he failed to design an appropriate policy framework. When even the unions objected to it because many lower income workers would be caught in the new taxation net, the Treasurer had to reset the parameters. But even then, widespread concerns were expressed that he was stamping out Australia's enterprise culture.

## Blame game continues in federal-state relations

The Rudd government was elected on a promise that with Labor in power nationally and in the states, the blame-game in federal-state relations would come to an end. This was far from the case in 2009. COAG became a meeting fest rather than a workhorse throughout the year. Some useful improvements were made to synchronise or standardise industry regulatory frameworks and introduce national industry standards, but industry complained constantly that the so-called seamless economy was taking far too long. The agreement on new industry standards for child care promised to cause a significant escalation in cost with no indication about how families would be able to afford it.

COAG discussions were once again dominated by process rather than results with business and the media expressing constant dissatisfaction with the lack of progress on reform. The final COAG meeting for 2009 was roundly condemned by businesses and health groups in particular, for the lack of action on key issues and a fixation with process.

On the big ticket policy items the blame game worsened rather than diminished and even in areas where there was some agreement, a Commonwealth veto was usually introduced. The worst examples were:

- *Murray Darling*: Constant bickering over funding, buy-backs and compensation with finally, the South Australian government taking other state governments to the High Court. Indeed, the National Water Commission, as the national water regulator, chastised the states for not opening up cross-border licenses and hence, the creation of a truly national water system was not achieved, as had been promised.
- *Pensioners*: The states raised housing rentals thereby negating Commonwealth increases in the pension rate; the best Treasurer Swan could do was to admonish the states.
- *Infrastructure*: The Commonwealth failed to provide funding for many worthy state projects including a promised grant for a major light-rail on the Gold Coast. There were yet more delays in producing guidelines for states to apply for infrastructure funding. Regarding the new concept of the federal involvement in capital cities' planning, the states will not be given funding for urban infrastructure until after 2012, notwithstanding that every Australian capital city is choked with traffic every weekday.
- *Indigenous*: The Commonwealth refashioned the intervention in the Northern Territory and applied similar measures in other states without proper consultation with the Territory and state governments. Indigenous housing policy was an on-again, off-again affair all year.
- *Health*: The Commonwealth constantly delayed reviewing health funding for the states. A very weak outcome at COAG in late 2009 was to defer a 'decision making' regime until 2010. Constant threats were made but no action came from the Commonwealth to take over state hospitals. The dysfunctional interface between aged care and hospital funding continued to be unresolved, as did the lack of synchronising health labour force education and training with funding for the health sector and its various components. All this, despite the fact that all governments have had the benefit of expert reports, including that from the National Health and Hospitals Reform Commission, whose timelines have now been well exceeded by the Rudd government and hence, COAG. Peak health groups roundly condemned the lack of progress. '...people are losing confidence because the timeframes keep changing...' one said. '...today's COAG talkfest has not delivered what patients in hospitals and residents in aged care services urgently need...' said another. Indeed, the aged care industry has threatened to mount a political campaign in marginal seats at the coming federal election if urgent reform is not achieved.



- *Education:* Some states refused the Commonwealth roll out of laptops to schools as it was well below the promised level, some refused to match funding for computers in schools, and others refused to endorse particular schools to receive stimulus package funding. There was much state resistance to the directions of the new national curriculum. States objected to new literacy and numeracy benchmarks, and managed to opt out of aspects of the national school curriculum measures.
- *Industrial relations:* Not all states handed over all their powers to the Commonwealth.
- *Vocational education and training:* Victoria and Western Australia boycotted the plan to set up an independent regulator.
- The Commonwealth reneged on its promise of a grant to several water projects and also the Gold Coast light rail and converted promised equity into a loan instead.

All in all, 2009 produced a very poor record in federal-state relations, as lamented by all of the major business peak bodies. The report of the COAG Reform Council at the end of 2009 also acknowledged the lack of progress on the 'seamless economy', particularly road and transport, and lamented the fact that Australia is still lacking a truly national energy market. Infrastructure has still not been properly addressed and the hospital/health reform agenda is at serious risk of failing, according to the Council. In the words of the Australian Financial Review (2009) editorial, "The government has also made its ambitious task more difficult by allowing the Prime Minister's bowerbird mentality and process obsession to overload COAG's reform agenda and the capacity of the smaller states to keep up with the work." The incentive payments system, the paper believed, faced state institutional and bureaucratic inertia. And on the issue of water, the very words: "COAG agreed to redouble its efforts to accelerate the pace of reform..." smacked of desperation.

## Surprise political appointments

Four particularly significant appointments occurred during 2009:

- Alexander Downer became United Nations Special Envoy to Cyprus
- Brendan Nelson was appointed Ambassador to the European Union
- Kim Beazley became Ambassador to the US, a perfect fit for his interests and experience
- Peter Costello was appointed to the Board of the Future Fund which he had created while Federal Treasurer.

All these appointments had the blessing of, or were made directly by the Labor government. The appointment of the Liberals raised hackles in both the Labor and Liberal parties. Some people saw it as an example of bipartisanship and recognition; others saw it as a cynical ploy by the government to divide the Opposition parties.

## International relations

Both the Prime Minister and the Treasurer certainly devoted a significant amount of energy and time to multilateral international relations during 2009. Much of this was associated with measures to address the global fiscal crisis (UN, G20, G8, OECD, IMF, World Bank, APEC etc) and much was also focussed on climate change and the lead up to the Copenhagen Summit in December in similar multilateral forums including the Commonwealth Heads of Government Meeting. Australia took a leading role in all these discussions. Rudd's endeavours to reshape multilateral architecture bore some fruit with the permanent establishment of G20, but his proposed new Asia-Pacific regional body continued to meet a resounding silence.



Bi-laterally, it was the relationship with the US which was paramount. Rudd made several visits to meet with newly installed president, Barack Obama, endeavouring to tic-tac on several issues including addressing the impact and cause of the GFC, climate change, and the wars in Iraq and Afghanistan.

China also dominated the internal relations agenda, especially when a number of issues arose surrounding Chinese investment in Australia's resources industries, with one major application rejected. Australian business endeavours faced difficulties with investing in China. The arrest of a senior employee of an Australian resources company by the Chinese government on allegations of industrial espionage also severely strained the relationship, as did China's record on human rights, currency revaluation, trade protection and its reluctance, until the end of the year, to announce measures to reduce its carbon emissions.

Although good relations were maintained with traditional Australian partners including the UK, Japan, India, Korea etc, they were not paramount during 2009. The relationship which most occupied political speculation was that with Indonesia, especially over the asylum seekers and people smuggling challenges.

Australia's backyard, the Pacific, remained a sorry sight during the year, particularly in relation to the situation in Fiji. But the government paid only lip service to its supposed leadership role in this domain to the disappointment of the Pacific nations.

## Political governance

During 2009, several political governance issues developed. The government introduced welcome new measures on Freedom of Information, although a few particular exempt areas caused concern

especially from the media. Proposed whistleblower measures met the same reaction with potential loopholes identified.

The prospect of an Australian Bill of Rights dimmed when it became clear that the committee charged with the task of consultation had attempted to produce a compromise set of proposals to meet the majority viewpoints. It was for a legislated Bill not a constitutional one. The model contained a complex and convoluted set of procedures including one which would see the High Court being forced to pass interim value judgements. Prospects for a Republic also surfaced during the year but fell limp and there seems little likelihood of a revival of this proposal as the government seemed unmoved.

Politicisation of the public service continued to be as prominent an issue as it was under the Howard government. Most attention centred on Ken Henry, Secretary to the Treasury and Chair of the Inquiry into the taxation system. His constant publicly expressed opinions on a range of policy areas, including the stimulus package, interest rates, taxation, federal-state relations, and a range of social issues (especially his endorsement of government intervention, Whitlam style, and the maintenance of the size and role of the public sector) drew him into many controversies. This was exacerbated by the government's constant habit of turning to him to publicly endorse their measures. The amazing affair surrounding Godwin Grech, the Treasury official found to have been in continuous contact with the Leader of the Opposition, Malcolm Turnbull, particularly on the motor vehicle industry assistance program, revealed very poor judgement on Turnbull's part but also raised doubts about the management of the Treasury.

An attempt by the CSIRO to muzzle one of its scientists who wished to publish research on climate change at odds with the government position also raised concerns about public service politicisation, especially when the Minister refused to intervene until



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the last moment. Rudd has established a review under the chair of Terry Moran, head of the Prime Minister's department, to propose reforms to the public service, but the issue of politicisation is not on their agenda.

Perhaps the area of greatest significance for governance came through Special Minister of State Joe Ludwig who tabled a discussion paper on reform of the electoral system. The paper raised a number of matters relating to political donations, a big issue across the nation in 2009, as well as alternative means of funding election campaigns. There were also suggestions about closing the rolls, and voter eligibility and registration, as well as electronic voting. The issue that drew most attention was the suggestion that the voting age be lowered from 18 to 16 years, a measure that would significantly benefit the Labor Party and lead to a large number of undesirable social and community consequences. There are very few countries in the world that have such a low voting age. Indeed a large number have voting ages of 20 or 21 years.

Parliament, and especially question time, remained its usual dysfunctional mess throughout 2009 despite some constructive suggestions for reform which were ignored. One idea that received considerable support was put forward by Malcolm Turnbull in his budget reply speech for a parliamentary budget office (not dissimilar to the Congressional Budget Office in the US), to give parliament an independent source of budget and economic analysis.

The independence of the Future Fund arose as an issue, especially as the government began to make

noises about tapping the Fund for its capital projects. Verbal guarantees were given as to independence, especially regarding investment in Telstra shares, but there were no ancillary legal moves to ensure this; Minister Lindsay Tanner retains powers of intervention in the current legislation.

The disturbing phenomenon of the ‘business chameleon’ occurred throughout 2009. Various peak industry groups oscillated between criticising the government one moment then cozing up to it the next, often on the same issue. On several issues including emissions trading, NBN, regulatory reform and infrastructure, they opted for ‘certainty’, despite what they acknowledged to be bad policy. The government appeared to make careful use of some industry spokespersons who were also often appointed to policy advisory or inquiry bodies. Meanwhile, the small business peak bodies complained bitterly of the unrealistic deadlines provided when governments request submissions about proposed changes to legislation likely to affect the sector.

## Rudd and tokenism under the microscope

The year saw an amazing proliferation of personal attacks on Kevin Rudd in virtually all the main daily papers across Australia. Much of this he brought on himself with his strident criticism of capitalism/liberalism in a journal article. This may have had some

resonance (in the midst of a global financial crisis caused by corporate greed and failed financial governance in the US), but it served to stamp 'socialist' all over his persona and had many commentators casting him in the Whitlam mould and acting contrary to the acknowledged success of the Hawke and Keating governments in creating a dynamic mixed economy. Indeed Keating and former Labor Finance Minister, Peter Walsh, gave Rudd quite a blast and Hawke's support remained fairly tepid.

Other criticisms of him were to do with 'walking both sides of the street', unable to live up to the rhetoric surrounding his personal influence with the Chinese government, overreaching on promises and not delivering, constantly engaging in spin-doctoring instead of being properly accountable, and obfuscating and refusing to take tough decisions. For example, his absence from the cabinet discussion on protection for the book publishing industry where the government acted contrary to Productivity Commission recommendations. The Indonesian solution for asylum seekers, personally brokered by Rudd, was criticised by many of Labor's own, including members and unionists, as hypocritical and inhumane, and contrary to Labor values. He was described in all editorials as a centraliser and being obsessed with process rather than results. Reports of his personal tantrums and anger were many.

Rudd, and his government in general, were cast often as grandiose and tokenistic. Plans for a new Asia-Pacific community, visions of Australian population growth, dashing trips to a host of global forums and relentless pursuit of the very costly campaign for a seat on the UN Security Council, all were part of the stockpile.

The allegations or tokenism included: making an apology to Indigenous people but then allowing tourists to walk over Uluru; failing to deliver on Indigenous housing, creating a new Indigenous assembly with very few powers; distancing from Noel Pearson's solutions for development in Indigenous communities; and failure to consult Indigenous people, or overriding the Queensland Government's Cape York wild rivers legislation, accompanied by a lack of any vigorous efforts to have Cape York listed as World Heritage. The government apology to generations taken away from their parents was welcomed but it was noted that this was not followed by any funding or remedial legislative measures.

Tokenism was the word used as well for Treasurer Swan's fist waving at the banks whenever they failed to pass on an RBA interest rate fall, or introducing an interest rate increase greater than that decided by the RBA. The same was said of the government's financial assistance to the car industry, and its back-down

on a grocery watch scheme despite having entered into contracts for its delivery.

'Whatever happened to the Ideas Summit?' was a question often asked in the media when it finally emerged that barely a handful of the suggestions from that high profile gathering had been addressed. Similarly, the welcome meeting with local government leaders seemed to be just a photo opportunity with little tangible ensuing action.

## Coalition crises

The constant bickering and disunity within the Liberal Party and the Coalition took the heat off the government for most of 2009. Peter Costello finally departed after a very impressive parliamentary and government career. His decision not to contest the leadership after the last election will remain one of the great mysteries of Australian politics, together with the 'Drover's Dog' question as to whether the Coalition would have won the 2007 election with him as leader rather than John Howard. His continued presence had been a destabilising force in the Liberal Party but even after he left, the Coalition was not able to unite behind a leader. Labor very effectively exploited this division and so diverted attention from many of its policy blunders.

For the Liberals, it seemed to be partly a case of not being able to accept being out of office, recriminations and the split between the 'drys' and the 'wets'. The National Party often went off on its own agenda and on several occasions the Coalition itself seemed in jeopardy. The weakness of the Opposition was possibly the most potent political influence in 2009, especially as the stance was between politicians like Malcolm Turnbull who saw their role as entering dialogue with the government and working to improve the government's legislation, and others who believed that the role of an Opposition was to oppose and make the government's life as difficult as possible. The Liberal Party seemed about evenly divided into these two camps, but with the election of Tony Abbott in December, there was a switch to the latter viewpoint, which seemed to gain more resonance with the public as well.

## Summation

Across Australia, with a few exceptions, 2009 might well be summed up as a year of incompetent governments and ineffective oppositions; not a good scenario. Hopefully 2010 will be better.

## Prospect 2010

There are a number of very significant political events looming in 2010. They include:

Aftermath of the Copenhagen Climate Change Summit
Report of the Henry Australian Taxation Review
Cooper Report on Superannuation due 30 June
Reform of the welfare sector including the tax-welfare interface
Very tight federal budget with significant cutbacks
Inevitable continuation of arrivals of boats with asylum seekers and strains on the Indonesian relationship
More tension over the Australia-China economic relationship and cross-investment arrangements
Maintenance of a flow of stimulus package funding into the economy especially for infrastructure
Continual rises in interest rates at the behest of the RBA
Final (hopefully) decisions on health funding and governance at COAG
Implementation of measures from Productivity Commission Reports such as those on the not-for-profit sector and disability insurance.
Ongoing deployment of Australian troops in Afghanistan and Iraq
Protracted attempts by the government to roll out its broadband project and split Telstra
Continued implementation of the government's workplace relations reforms including award restructuring, federal takeover of most state industrial relations systems and operation of the new Fair Work structures
Resumption of climate change discussions in Mexico City 29 November

However, there can be no doubt that Australian politics in 2010 will be dominated by the next federal election. All the political debate and manoeuvring which occurs throughout 2010 will be motivated by this factor.

## The election – Single, double or triple dissolution?

A federal election is constitutionally due by April 2011, but normal expectations are for it to be held in November or December 2010 as a normal election for the House of Representatives and half the Senate.

The possibility of a double dissolution election was raised late in 2009 because the Senate appeared to have twice rejected the government's Bill on emissions trading. However, expert opinion was divided on whether this met the strict Constitutional requirements, since the incorporation of amendments into the second version after compromises with the Opposition could be interpreted to mean that the second rejection was not of the same piece of legislation. If there were to be a double dissolution before mid-year, the terms of the Senators subsequently elected would be backdated.

The advantages for the government in calling a double dissolution in the first half of 2010 are two-fold.

- A. It will catch the Opposition on the hop while the government is well ahead in the polls, whereas, as the year wears on, the government's stakes might decline. Since the election will be fought largely on the issue of climate change, this tactic could increase the government's majority in the Lower House and position it well for the longer term. However, this depends on whether Australian public opinion remains in favour of a Carbon Pollution Reduction Scheme (polls in late 2009 showed that some two-thirds of Australians were in favour, including a majority of Coalition supporters). However with the Copenhagen talks producing no firm global action, and if the Coalition leader Tony Abbott continues to bite with his criticism of this method of approaching the reduction in carbon emissions and raises fears about its economic and employment impact, the strategy of a double dissolution becomes risky.
- B. According to the Australian Constitution if, after a double dissolution, the Bill which was the subject of the action still fails to pass the Senate there would have to be a joint sitting of both houses to vote on the Bill. The government should have the numbers at such a joint sitting to pass the Bill without the support of the Greens who have also been opposed to the government's scheme because they claim it does not go far enough in reducing carbon emissions. The wild card here is that the Rudd government will need Green preferences to increase its majority in the lower house and there can be no certainty that the Greens would



“At this stage there do not appear to be enough advantages in calling any double dissolution to outweigh the risks.”

preference the government if climate change were the main focus of the election. The Greens would still want tougher measures to reduce carbon emissions. A double dissolution would also most likely increase the Green presence in the Senate because of the lower quota for a Senate seat, handing the government the spectre of an even more hostile upper house in the future. On climate change, the government has negotiated primarily with the Coalition and largely ignored the Greens whose tough position frightens business and blue collar workers and their unions.

At the end of 2009, the Deputy Prime Minister announced that the government would reintroduce the Bill (presumably the same Bill) at the first session of parliament in 2010. This is a curious manoeuvre and can only be explained as either an insurance policy to avoid the previous ambiguity as to the status of the Bill in terms of its appropriateness for a double dissolution; or else it is pure politicking designed to drive a wedge though the Opposition which the government believes will still be divided on climate change and the ETS.

There has been some suggestion that the government could reintroduce a climate change Bill in the second half of 2010 and if and/or when it was rejected twice, then call a double dissolution. In this scenario most of the same factors apply except for

#### **Australian Constitution Section 57: Double Dissolution**

If the House of Representatives passes any proposed law, and the Senate rejects or fails to pass it ,or passes it with amendments to which the House of Representatives will not agree, and after an interval of three months the House of Representatives, in the same or next session, again passes the proposed law with or without amendments which have been made, suggested, or agreed to by the Senate ,and the Senate rejects or fails to pass it, or passes it with amendments to which the House of Representatives will not agree, the Governor-General may dissolve the Senate and the House of Representatives simultaneously but such dissolution shall not take place within six months before the date of expiry of the House of Representatives by effluxion of time.

If after such dissolution the House of Representatives again passes the proposed law, with or without amendments which have been made, suggested, or agreed to by the Senate and the Senate rejects or fails to pass it, or passes it with amendments to which the House of Representatives will not agree, the Governor-General may convene a joint sitting of the members of the Senate and House of Representatives.

the terms of Senators subsequently elected. The question then is what advantages are there in having a double dissolution as opposed to a normal election which will be nearly due. The answer rests with how the government was polling overall, and any changes in community attitudes to climate change in the light of the results and aftermath of the Copenhagen Summit, especially if a significant number of countries begin to make commitments in the lead up to the resumption of climate change deliberations in Mexico City in November.

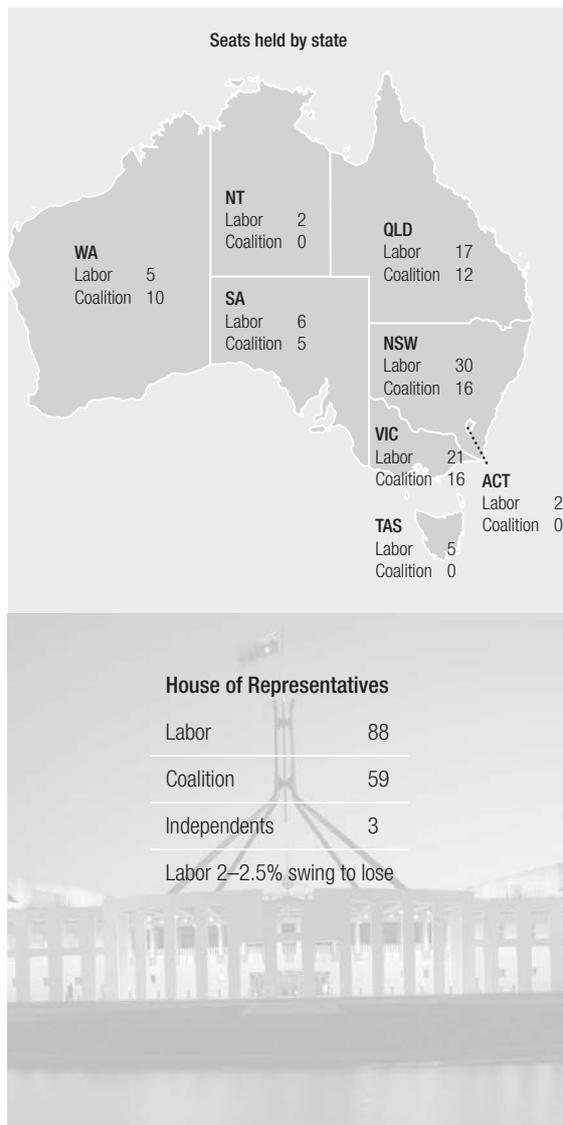
In the world of political reality, a double dissolution is usually a desperate ‘crash through or crash’ strategy and there has only ever been one joint sitting of parliament (in the Whitlam era). At this stage there do not appear to be enough advantages in calling any

double dissolution to outweigh the risks. The government will most likely go its full term, using the potential for a double dissolution as a constant threat to try to retain the upper hand in the whole political situation. There is also a chance the government will stockpile a few more Bills which are opposed by the Coalition to include them in the fodder for a potential joint sitting; workplace relations comes to mind as one possibility.

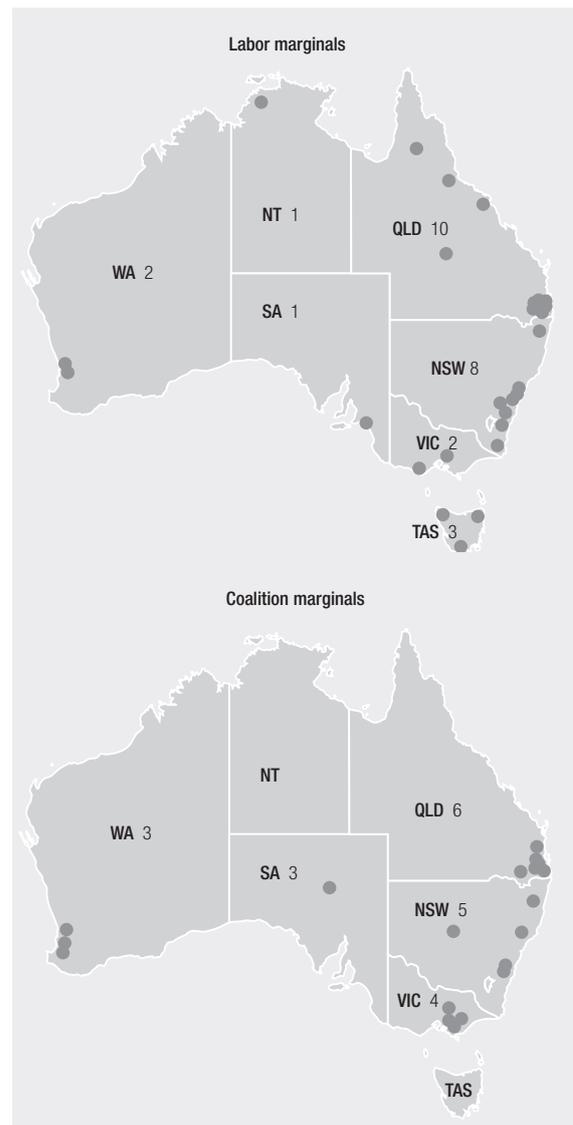
### Election scenario

Australians usually give new governments a second term of office. There is no scientific explanation for this phenomenon. It may be that it takes three years for the public to pick up the style and measure of a

**Figure 6**  
House of Representatives



**Figure 7**  
Marginal seats





government. It may be that the public is forgiving of a party that cannot implement all its election promises in one term. It may simply be the concept of a 'fair go'; a kind of 'three strikes' philosophy. Often it is the case that Opposition parties take one term to lick their wounds after a defeat and regroup, and hence do not appear as united as the government. In any event, this factor will work in favour of the Labor government at the next election.

### **It's close**

Due to the fixation with opinion polls which have had the government well ahead for some time, the actual closeness of the political situation has tended to be overlooked. This is especially so as over 10 per cent were undecided and 12 per cent favoured the Greens, in polling at the beginning of 2010.

The Rudd government only narrowly won the last election and with a uniform swing of just 2–2.5 per cent (depending on redistributions) against it, will lose office at the next election. This represents 14 seats. The 2007 result also means that Labor has a string of marginal seats to protect, particularly in Queensland and New South Wales, where state Labor governments are currently on the nose. Federal Labor marginal seats in those two states must be considered under threat. Experience reveals that poor performance of a party at state level can affect support for its federal counterpart.

There are three states due for elections in 2010 including South Australia and Victoria where Labor should be returned to office albeit with a possibly reduced majority in South Australia. In Tasmania the prognosis is for a hung parliament with the Greens being the key to the formation of government since both Labor and Liberals will not win a majority. (Latest polling is Labor 26 per cent, Liberals 37 per cent and Greens 17 per cent.) It is less likely that state performance will be a factor in the federal election in these states. Labor is still not performing well in Western Australian state politics but there are only two marginal federal Labor seats in that state. Consequently it is Queensland and New South Wales which will be the major focus of the election build up, especially as the Coalition also has a number of marginal seats in those states.

## **Key issues of 2010**

### **The economy and interest rates**

The economy and its manifestation in interest rates will no doubt return to centre stage after the dust settles on the Copenhagen summit which will still hold

centre stage early in 2010. (There are also, of course profound economic issues associated with climate change measures.) Interest rates will rise as the economy recovers and the Opposition will continue to berate the government and blame the continuation and magnitude of stimulus funding. The Coalition is on strong ground here as it has expert opinion to back it. Moreover, it was the Coalition's good economic management which provided the stimulus funding in the first place.

### **Levels of debt**

The impact on the mortgage belts will be immediate and they will become the familiar election battleground. The Coalition's campaign will be expanded by raising concerns about the debt levels to which the Rudd government has committed the nation. The government will no doubt respond with the argument that it is endeavouring to prevent rises in unemployment. But if it continues its rhetoric about interest rates still being historically low, it will cost the government votes in urban marginal seats.

### **Housing**

All this then leads to housing as another key election issue. Any full recovery in the sector is still a long way off. A political party prepared to reintroduce a variation of the first home buyers program will be well regarded.

### **Taxation**

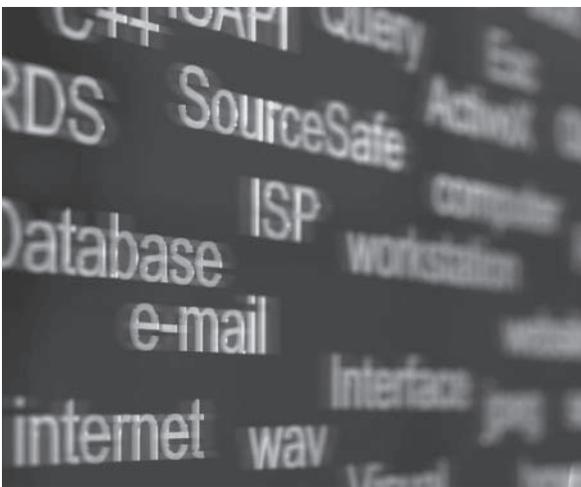
The other element in this economic equation will be taxation, an election issue to be stirred up by the report from the Australian Taxation Review chaired by Ken Henry. Henry dropped a few hints in 2009, such as possible road user charges, centralisation of federal-state taxation arrangements, the inappropriateness of some means testing, simplification and reduction of the number of taxes etc. However, without knowing the proposals or even their direction, it is impossible to forecast their political impact. It can however be safely guaranteed that Rudd will address the matter with a process and also defer any action until well after the election unless there are a few politically attractive aspects for Labor that they may want to endorse. The Opposition may be more prepared to give a stronger commitment at least with regard to its general direction. It is of course an ideological battleground where Labor's return to its socialist roots during 2009 may well continue.

### **Climate change**

As a mainstream political issue, climate change will remain, especially if all the gymnastics regarding



Taxation, levels of debt, the “education revolution” and broadband, will be some of the key issues of 2010.



a potential double dissolution continue. There are winners and losers in any emissions reduction scheme, whatever its composition and this balance will become clearer as renewed debate occurs in the House of Representatives. The government will have to continue to push its carbon pollution reduction scheme or lose face. Since the big emitters failed to commit at Copenhagen the government will continue to portray the Opposition as sceptics and divided on the issue. If the big emitters fail to commit at Copenhagen, especially the US and Australia's key trading partner, China, this will add grist to the Opposition's mill about threats to Australian jobs and exposed industries. Much depends on whether the Opposition can come up with a credible policy on carbon pollution reduction by the first Canberra parliamentary sitting.

However, the most interesting political aspect which is emerging from this topic is the clear demarcation between urban and regional attitudes. Climate change has the definite potential to produce a divided vote with urban voters looking for stern measures while rural and regional voters are opposed or lukewarm. (This is especially the case if they live in coal-based or other

heavy emitting industrial regions.) The Rudd government did agree to the Coalition demands to exempt agriculture but that will not prevent the National Party in particular having a field day. There are a number of marginal seats in the regions. It is as much a problem for the Coalition as it is for Labor.

### **Border protection**

As the number of boats arriving will continue, from all accounts, border protection has the potential to become an election issue of high order once again. The Coalition will maintain a tougher stance than the government and pick holes in its approach while claiming that the government's soft stance is encouraging the tide of arrivals. The Rudd government's rhetoric about being 'tough but humane' was already wearing thin by the end of 2009 and also being condemned by human rights groups. The average voter may well have difficulty spotting any difference between Rudd's Indonesian Solution and the former Coalition government's Pacific Solution but the odds will favour the Coalition.

### Afghanistan war

Polls in 2009 showed that a majority of Australians are opposed to continued Australian involvement in the war and certainly do not want any escalation of Australia's commitment. The Australian Federal Police Union expressed strong opposition to Prime Minister Rudd's announcement that he was considering sending police to help the situation rather than troops.

### Industrial relations

Industrial relations remains a festering issue which could be reignited at any time. The Rudd government clearly has not given the union movement enough payback for its crucial support in 2007. Indeed many unionists criticised the government for either not going far enough or jeopardising the conditions and wages of workers. There may well be some secret understanding with the union movement that another wave of workplace reform will take place in the next Labor term. Tony Abbott seems to be making a major tactical blunder in putting workplace relations back on the Coalition's attack. Abbott is including a return to individual workplace agreements, removal of unfair dismissal laws from some industries and a reduction in the power of the unions. These will simply reignite the union campaign from last election, drive the unions and their election funding closer to Labor and even see the return of the effective union 'Your Rights at Work' campaign which was largely responsible for Labor's victory at the last election. It also invites criticism that the Coalition is returning to the Howard years, having learnt nothing. At least Abbott has promised to keep Labor's safety net/no disadvantage policy.

### Health

Health is always a major issue in every federal election as post-election studies reveal. There is plenty of ammunition for the Coalition to fire at the government this time given the ramshackle reform process of the health care system, the very bad performance indicators in hospitals, including waiting lists, and the procrastination of COAG which was meant to speed up improvements in the health system in 2009. Rudd broke a major election promise to take over state hospitals if improvements were not forthcoming which they have not, despite the government pumping a substantial sum into the system. The promised roll out of GP super-clinics has also barely started yet this was a vital factor in the government's election victory.

### Aged care

The aged care industry has issued a serious threat to the government to mount a major campaign against it in Labor's marginal electorates if reforms are not forthcoming. It has become abundantly clear that there are not enough aged care places in Australia and the funding is not appropriately matched to the levels of care required. There remain a large number of people in hospitals who belong in aged care facilities. Moreover, the aged pension is nowhere near enough to pay for aged care accommodation and the aged care providers themselves are underfunded by the Commonwealth Government's formula. Also, aged care nurses are reported to be leaving the sector as a result of lower pay levels (reported to be 10 per cent less than salaries paid to nurses in other sectors).

In this context, support for the not-for-profit sector and also the mooted Disability Insurance Scheme will figure prominently in the election campaign as the results of the work of the Productivity Commission in these fields is appreciated. Both sides of politics would do well to commit to these reforms in their election manifesto and the same is true regarding support for carers, the magnitude of whose contribution to the nation is becoming more and more appreciated.

### Broken promises

The Rudd government will be faced with a list of its broken election promises from last election. These will include:

- Emissions Trading Scheme by 2010 – extended to 2011
- The grocery pricewatch scheme – now defunct
- Non forthcoming public hospitals takeover
- Super GP clinics – barely begun
- Retention of universal private health rebates – not implemented
- Work Choices would not trample industry flexibility and non-union bargaining would not be affected – the opposite has occurred
- The Education Revolution, especially undelivered computers in schools and botched infrastructure spending
- Renewable energy funding – truncated ahead of time
- Transport infrastructure roll-out – slow
- No end to the blame game with the states
- Indigenous housing – not delivered
- Broadband – barely implemented
- Water funding fell short of promises

## Coalition prospects

It is highly unlikely that the Rudd government will change its stripes during 2010. It will also remain very tightly disciplined as the prospect of a second term has been its key driver throughout the past two years. The unions will rally back more closely to the government's side with both campaigning and cash now that Tony Abbott has revived workplace reforms as an issue. The government has clearly promised the unions more of their wish list in the second term. The government will suffer in mortgage belts as interest rates rise and housing affordability fails to show any marked improvement. It will also have quite a task fending off doubts about its ETS and the likely damage it will do to jobs, price rises and other costs to the public. Impatience will grow with the disgracefully slow pace of hospital and health reform. Broken promises will surface during the election campaign, including the obsession with process rather than results which is stifling federal-state relations and has increased rather than improved the blame game as Rudd promised. The public may well become wearier of the tokenism and spin which is coming to characterise the government. Also the Rudd government's propensity to make constant policy bumbles will continue, given the accelerating high degree of centralisation and attempted micro-management and personal control which the Prime Minister seeks to impose.

### Likely election policy differences: Labor and Coalition

Level of government spending  
Debt levels  
Taxation  
Climate change  
Industrial relations  
Health  
Education  
Water  
Infrastructure and privatisation  
Broadband  
Electoral laws

The question is whether the Coalition will be united enough to take advantage of these vulnerabilities of the government. For the Coalition, the first half of 2010 needs to be spent in a major overhaul of policies to ensure it has a coherent stance on the major political issues. Then the tactic of fighting the government, rather than appeasing it, which seems to be resonating with the public, will have more force. Although the Coalition is now more collaborative under Abbott's leadership, there are a number of issues, including climate change, where a significant divide is appearing between urban, and rural and regional opinion, and this needs to be contained. Also, there remains a simmering between the conservative and liberal elements of the Liberal Party.

The election outcome is still very close because of the numbers in the parliament, but given the advantages of incumbency, the past willingness of the Australian public to give a team a second go, and the challenge for the Coalition to forge true unity in the time available, the odds at the beginning of 2010 favour the government to retain office, but with a reduced majority especially in Queensland and New South Wales.

### Endnotes

- 1 Refer to CEDA, 2009 Growth 61 – A Taxing Debate: Climate change beyond Copenhagen, August, Melbourne, Australia.
- 2 Editor, 2009, "COAG reforms need more vigour", Australian Financial Review, : 07 December, [www.afr.com.au](http://www.afr.com.au)

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