

Political overview

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2003: Focus on leadership

Leadership change was the key national focus in 2003, from the Australian Head of State to the Australian Cricket Team. In the realm of politics there has never been a year when there has been so much leadership turbulence.

Prime Minister John Howard made good his promise to address his future on his sixty-fourth birthday and decided to stay on, to the delight of his party and the consternation of heir-apparent, Treasurer Peter Costello. Howard had been under considerable pressure to remain, given the high standing he was enjoying, particularly in the marginal electorates, including those held by Labor.

Leader of the National Party and Deputy Prime Minister John Anderson flagged his probable retirement at the next election, owing to family pressures, producing calls from his party to reconsider and remain.

The ALP witnessed the most spectacular leadership change with maverick Mark Latham finally replacing Simon Crean at the end of a year of instability in the party. Crean was perceived as being unable to dent the Government's lead in the polls and convey the Labor message. The choice was between the seasoned former leader Kim Beazley and Mark Latham, the largely untested radical. This was considered by most analysts as signalling a change of policy direction and a risk-taking strategy by Labor. Latham only just beat Beazley for the position, thereby creating a further challenge to achieve unity in the party between the factions, the unions, the Caucus and the party machine, and between the 'roosters' and the 'feather dusters'.

Labor also experienced an interesting change of method of electing its party president, now to be chosen by all the rank and file of party membership. Former front bencher Carmen Lawrence is to be the new immediate president, but after that the position will be rotated to the other candidates who were successful.

The relatively new leader of the Australian Democrats, Andrew Bartlett, temporarily stood down at the end of the 2003 Parliamentary session after committing an act of violence and abuse against a Senator in the Chamber. This capped off a bad year for the Democrats, who saw their ratings plummet in the polls.

Former leader of her party, Pauline Hanson, was jailed for electoral fraud but later freed on appeal, causing a flurry of electoral analysis as to whether this would signal a resurgence of support for her, at the expense of which major party, and in national or state politics? However, by year's end she had declined to indicate any likely arena for a reappearance.

Even Bob Brown, the leader of the Greens, encountered controversy and his eviction when he staged a deliberate protest during the address by the United States' President Bush to the Australian Parliament. The speculation was that the gesture would have increased support among the Greens' constituency but would have alienated the mainstream electorate. The

Greens had been enjoying rising support in the polls all year, largely at the expense of the declining fortunes of the Australian Democrats.

The main leaders' poll ratings at the end of 2003 are presented in Table 2.

TABLE 2: Satisfaction with the way the leader is doing the job

		Per cent
John Howard	Satisfied	54
	Dissatisfied	35
	Uncommitted	11
Simon Crean (November)	Satisfied	28
	Dissatisfied	53
	Uncommitted	19
Mark Latham (December)	Satisfied	41
	Dissatisfied	17
	Uncommitted	42
Better Prime Minister		
November	John Howard	56
	Simon Crean	17
December	John Howard	46
	Mark Latham	31

Source: Newspoll

In 2003 the Government was on strong ground with the electorate on most international issues, especially security and anti-terrorism. When the Opposition managed to shift the focus to domestic issues, Labor enjoyed a popularity boost, especially regarding health and education.

The issues of 2003

International/domestic

The year 2003 saw a repeat of the familiar pattern of recent times with a see-sawing of issues between international and domestic arenas. As in 2002, the Government was on strong ground with the electorate on most international issues, especially security and anti-terrorism. When the Opposition managed to shift the focus to domestic issues, Labor enjoyed a popularity boost, especially regarding health and education.

Whether because of the challenge from Labor, or as a result of the phenomenon of the middle year of their third term in government, when policy reappraisal often occurs, the Howard government introduced a number of changes to their own policies. These policy shifts were accompanied by a related, significant Cabinet reshuffle in October, the combination seeing the Government's stocks rise slightly in the polls. Clearly the Howard government was endeavouring to position itself by the end of the year for the 2004 election.

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The Senate

In both foreign and domestic policy the role of the Senate often became pivotal. Some bills were rejected outright and so became part of the stockpile for a possible double dissolution election. In other cases, the government was forced to do a number of deals on many of its legislative and regulatory initiatives to ensure their passage. These deals often resulted in significant compromise. Consequently, it was no surprise when the Prime Minister suggested changes to the power of the Australian Senate so as to make passage of government Bills smoother, primarily by way of joint sittings of the two Houses, without the need for recourse to any election. Labor

Towards the end of 2003 a discussion paper had been produced by the Government and a Task Force established to canvass proposals for Senate reform.

International relations have continued to dominate the Australian political landscape for the past three years.

The US alliance was at the centre of a great deal of Australia's international relations in 2003.

The proposed Free Trade Agreement with the United States also figured strongly.

Australia led a major effort to restore law and order in the Solomons, and later in Papua New Guinea.

appeared to offer support in principle for reforms in this direction. They were, however, fiercely opposed by the minor parties. Towards the end of 2003 a discussion paper had been produced by the Government and a Task Force established to canvass such proposals that would require amendment of the Australian Constitution.

International relations

It is of significance that international relations have continued to dominate the Australian political landscape for the past three years. Australia has been continuously fully engaged in a considerable number of diplomatic and economic, bilateral and multilateral arrangements, and the whole posture of the nation has changed to that of an outward-looking society where global events impact immediately on the political psyche. No more the isolationist nation with the occasional international foray, in the Australia of today global politics is domestic politics.

The US alliance was at the centre of a great deal of Australia's international relations in 2003. Australia remained a firm partner of the Coalition against terrorism with an active presence in Iraq. John Howard travelled to Texas as the guest of President Bush and returned the favour by inviting the US President to visit Australia after the APEC Conference in the latter half of the year. The US alliance itself became something of a political issue during the year as many in the Opposition and minor parties criticised the closeness of the partnership and the familiar ring of concern among some Asian nations was aired from time to time. Labor appeared to have distanced itself from continuation of such a strong US alliance and by year's end, under new leader Latham, was endeavouring to clarify its position.

The proposed Free Trade Agreement with the United States also figured strongly in this dialogue, with the Government managing to secure President Bush's imprimatur for an acceleration of the talks to achieve results by year's end so that the Agreement could become a reality in 2004. A number of sticking points had appeared in the negotiations, especially regarding primary products. Another dominant issue was the very active efforts of the cultural lobby to have culture excluded from trade negotiations. These issues had their parallel in the failed WTO talks on the Doha Round.

International security was again a dominant issue in 2003 as acts of terrorism continued around the world and the situation in Iraq, Afghanistan and the Middle East failed to show signs of fundamental improvement. This issue played out in a different manner when Australia led a major effort to restore law and order in the Solomons, and later in Papua New Guinea. At the South Pacific Forum the Prime Minister flagged the prospect of a permanent presence of this kind, including training for law enforcers in Pacific countries, as one of a number of political and economic/industry initiatives to strengthen Pacific solidarity. The Government was also worried about the prospect of parts of the Pacific becoming an entry point for terrorists. The Pacific countries by and large welcomed these Australian interventions but the so-called Pacific solution for refugee placement and processing remained controversial. The appearance of another boatload of refugees off the northern coast prompted the now familiar pattern of response from both the Government and its detractors, with further attempts by the Government to excise parts of the northern coastline to avoid legal complications.

The year saw very significant success for Australia in trade negotiations. The visit to Australia by the President of China and his address to the national Parliament sealed the mega project agreement for energy from the North West Shelf and opened up other bilateral potential. This adds to the bilateral trade arrangements which have been achieved with Singapore and Thailand.

The Prime Minister's travels saw him in London on Armistice Day for the unveiling of the new Australian War Memorial in Hyde Park, and in Nigeria in December to play a leadership role at CHOGM.

Domestic issues: Setting the scene for the election

The economy and all its dimensions figured prominently. Although most of the economic parameters were positive, a number of issues arose.

One was the Reserve Bank's raising of interest rates, which saw many government leaders criticising the RBA and querying the need for this change. Rural interests were worried about a possible double-whammy effect of a strong dollar and rising interest rates. Politicians in marginal urban electorates were concerned about the impact on mortgages (code for potential voter backlash). The tourist industry received a funding boost from the government which partially assuaged their concern about the rising dollar and interest rates, but the Government also announced a decision to close a tax loophole whereby no GST has been charged on overseas visitors.

As the year wore on it became clear that there was a growing Federal Government Budget surplus in the wind, giving rise to speculation from Treasurer Costello as to whether Australia really needed a government bond market, a suggestion which drew howls of protest from the financial markets and seems to have withered. Peter Costello granted one small but widespread tax cut during the year and another seems to be in the offing for 2004. Obviously there will be a war chest for the election year for all sides of politics to exploit.

The matter of intergenerational equity appeared in various guises in 2003. One came from the Governor of the Reserve Bank who raised his concern that future generations might be penalised from home and asset ownership, in other words, from getting a start in life, because of what he seemed to regard as the greed of baby boomers—their superannuation and their property speculation. Then, just before he became Opposition leader, Mark Latham, as Treasury spokesman, caused a furore in his own party by floating ideas on across-the-board tax cuts and negative gearing. The Government itself continued to play around with the rules and tax regimes on superannuation.

In a similar vein, the matter of balancing work and family life surfaced in a number of forums. Issues included part-time working arrangements, income tax splitting, paid maternity leave, encouraging older workers to work beyond so-called retirement age, and so on. There was very little action, but it is shaping up as an election issue.

There can be no doubt that one of the two major domestic issues of 2003 was health. The issues revolved around both hospitals and GPs. The usual squabble with the states occurred over the new long-term Australian Health Care Agreement for hospital funding, with the Commonwealth

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Government, as the holder of the purse strings, dominant as usual. A great deal of blaming–shaming occurred between the Commonwealth and the states for the falling standards in hospital care. Very few concessions were given to the states. The reform of Medicare was a somewhat different story, with the focus of attention being the Medicare system itself and in particular the fall in bulk-billing, the shortage of GPs, especially in non-metropolitan areas, and the cost of community health care in general.

In this arena the Government's approach was in stark contrast to that of the other political parties. The main issues were around the central focus of funding: should it be a boost to bulk-billing? Should there be a co-payment? Should there be a safety net under co-payments or a cap over them? Should there be any incentives to encourage GPs to move to regions? Should the taxation concessions for private health insurance continue? All of this was compounded to some extent by the cost and uncertainty facing doctors, like all professionals, by Australia's crisis in indemnity insurance. In the event, the stances in this field were so polarised that not even Tony Abbott as new Health Minister could steer the reforms through a hostile Senate and they sat on the Parliamentary notice paper for Christmas, looming as possibly the key domestic election issue.

The other major issue was university funding, which emanated from Minister Brendan Nelson's blueprint essentially de-regulating universities' capacities to raise revenue and encouraging competitiveness among and between them, but also containing a somewhat contradictory regulatory approach by intruding into their industrial and workplace practices. By and large, the vice-chancellors accepted the thrust of most of the reforms, but Labor and the minor parties were fiercely opposed to the changes to student charges, including HECS and the capacity of universities to offer more fee-paying places, as well as the workplace proposals. The Senate became the battleground and at the eleventh hour the independents forced a number of concessions from the Minister, including fee arrangements, HECS, and the industrial part of the package, together with some special pleading for certain regions. With the support of independents, the reforms just squeezed through the Senate before it rose for the year to cries of 'shame' from Labor and the minor parties—thereby chalking up the second key domestic election issue for 2004.

During 2003 ATSIC was rarely out of the news and the government floated a number of proposals for reform of Indigenous governance and funding arrangements, including the report of a Task Force. It seemed certain by the end of 2003 that significant changes would be introduced in 2004.

Commonwealth–state relations

With Labor in power in every state and territory it is inevitable that tension continues in federal–state relations, although in reality the occasions when all of them take a united stand against the Howard government are fairly few and far between. What has been noticeable is the Commonwealth Government's endeavours to invoke the need for national approaches in most of the federalism issues that arise. It has not been all sweetness and light between all of the states, with some noticeable differences of opinion and policy on several issues, including non-poaching of industry, insurance reforms and road funding, to name a few.

The main issues in 2003 were:

- insurance, where Australia faced a mini crisis following the collapse of large companies and the consequences of escalating liability claims. Minister Coonan attempted to broker a deal between all of the parties including the states, but in the end, although the situation had been improved—particularly for professionals—there still remained some curious differences between how each of the states has legislated for this sector. We clearly do not have a national approach;
- the Australian Healthcare Agreement resolved by the Commonwealth using its financial muscle to achieve its offer—New South Wales provoked the Commonwealth Government by offering to provide free after-hours clinics for doctors, which the Commonwealth appeared unlikely to fund;
- National Competition payments withheld from some states for not delivering on National Competition Policy;
- the final appointment of Graeme Samuel as Chair of the ACCC despite resistance from some states including, in particular, New South Wales;
- schools, where Brendan Nelson pushed for a national curriculum;
- electricity reform, where the states, despite initial strong resistance, came to accept the notion of a single national regulator;
- roads, where the arguments continue regarding the attempted change of approach to cost sharing by the Commonwealth through the new Auslink concept;
- workplace relations, where Tony Abbott as former Commonwealth Minister encountered strong resistance to the introduction of national workplace changes;
- local government funding, where the Commonwealth sought reforms to the method of funding to achieve national criteria, which would diminish state influence;
- Public Private Financial Partnerships, where the Commonwealth continues stubbornly to refuse to grant the tax changes that would facilitate the states' wishes to engage to an even greater extent with the private sector in the construction of infrastructure.
- housing affordability—a Productivity Commission report late in 2003 argued for replacement of stamp duty on house sales by less distorting taxes and imposing a means test on the first home buyers allowance, as well as better planning and release of land. This was a signal for the Commonwealth Government to tell the state governments that they should cut their stamp duties on housing and channel the revenue into public housing. The states reacted angrily, arguing that the Commonwealth had more capacity to influence housing affordability, especially given the narrow taxation base available to state and territory governments.

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Governance

During 2003 there were a number of public sector governance issues which, although not so visible or of such magnitude as the governance issues that continued to wrack the private sector, nonetheless gave rise for some concern.

One was the proposal to reform the Senate, already mentioned, which was set against the background of at least half a dozen policy changes that seemed destined to become double dissolution fodder following rejection by the Senate.

There was only one election in 2003 and that was in New South Wales where the Carr Labor Government was returned to office with roughly the same primary vote as on the last occasion.

During Latham's honeymoon period, Labor's stocks rose to their highest level for a year but most of this seemed to come from voters who had deserted Labor during the period of Crean's incumbency.

Another issue was accountability, with many Australian governments continuing to flout Freedom of Information laws, mislead Parliaments, circumvent and even ignore the investigations of Auditors-General, and play up commercial-in-confidence arrangements to avoid scrutiny.

The independence of the courts has continued to raise concerns in many jurisdictions as governments attempt to interfere in the management of the courts, use threats of funding cuts, and generally feel free to offer gratuitous advice to judges about their responsibilities and offer opinions on their legal judgements. The appointment process for magistrates and judges also shows signs of deviation from the merit principle in some quarters.

The abuse of parliamentary privilege, including by ministers, has surfaced in some arenas and sub-standard parliamentary conduct has become more widespread.

Statutory bodies have become fair game in the political world. State governments have resorted to dubious legal practices and unsound management principles as they have unashamedly raided the budgets of Government Business Enterprises to prop up their ailing state financial position. National and state regulators of various kinds have also had their independence compromised by political and bureaucratic interference and oversight.

The politicisation of the public service continues to raise concern in Australia. The giving of 'frank and fearless' advice to governments by public servants is now a hazardous occupation as several incidents in a number of jurisdictions in 2003 testified.

There was only one election in 2003 and that was in New South Wales where the Carr Labor Government was returned to office with roughly the same primary vote as on the last occasion. They thereby maintained a sizeable majority. The Coalition parties mounted a strong campaign but only slightly increased their vote.

In a welcome move at the end of the year, the Commonwealth made it easier for local government office holders to stand for election to the national parliament.

2003: The upshot

As the year drew to a close, new Labor leader Mark Latham appointed his augmented Shadow Cabinet, in the ultimate inclusive manner, by expanding the front bench and finding a place for all the key players who had been part of the two former factions. Simon Crean became Shadow Treasurer. Although he announced some broad new policy directions, it was not clear how these would mesh with the major ALP policy review conducted under the guidance of Deputy Leader Jenny Macklin in 2003. During Latham's honeymoon period, Labor's stocks rose to their highest level for a year but most of this seemed to come from voters who had deserted Labor during the period of Crean's incumbency.

The year's end polling picture from Newspoll is presented in Table 3. The Morgan Poll had Labor actually in front after the election of Mark Latham to the ALP leadership, and it too revealed a similar commensurate fall of support for the minor parties. (Table 4).

The switch by Labor appeared to have paid some dividends but it was a rather raucous honeymoon with some uninvited non-family guests, mainly

TABLE 3: Newspoll results

Primary vote	Per cent
Coalition	44
Labor	41
Democrats	2
Greens	5
One Nation	1
Others	7
Two-party preferred	
Coalition	51
Labor	49

Source: Newspoll

TABLE 4: Morgan Poll results

Primary vote	Per cent
Coalition	41.5
Labor	41
Two-party preferred	
Coalition	46
Labor	54

Source: Morgan Poll

from the Government front bench, who mounted a ferocious attack on the new leader and his former rambunctious style and policy pronouncements, so providing a foretaste of the nature of politics that will prevail until the next election.

2004: The Olympics of politics

For Australia's politicians there will be two Olympics in 2004, the event in Athens and the national elections in this country. As the year begins, it looks like the Coalition is facing the marathon and Labor is entering the hurdles.

Australia is now in election mode. What will be the same about this election compared with the last one?

There will be the same interplay between international and domestic issues. With the Government constantly seen as strong on security, border protection, anti-terrorism, and with a sound record on trade negotiations, any continued emphasis on international issues will favour the Coalition. With Labor preferred on many—but not all—domestic issues, such as health, education, welfare and workplace practices, their challenge will be to keep the focus on the domestic agenda. The same scenario faces the Democratic Party in the United States elections, also due in 2004.

The economy is strong and hence it is hard for Labor to dent the Government's economic credentials. However, the large Budget surplus opens the way for another battle between the taxation policies of the two protagonists. Labor has made a fundamental error in this domain at the last two national elections by casting certain middle earners as 'rich' by virtue of the lines it has drawn in proposed schedules for income tax and hence tax cuts. This will be compounded by whether Labor can bring itself to offer tax cuts to even the highest earners, an issue of some ideological divisiveness to past Labor efforts and an area where the new leader is on record as having had significant differences with many of his colleagues and the union movement. At the end of the day, it matters most in the marginal electorates, in the mortgage belts which are usually in fringe metropolitan areas, and some inner metropolitan areas. Here the parties will have to craft tax policies to blend with the interest rate panorama as it unfolds during the year, carefully assessing the combined effect on the mortgagees. Marginal tax rates in marginal electorates will still be a dominant election factor.

Neither of the major parties can win a majority in the Senate and the preferences of minor parties will be vital in winning Lower House seats

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Neither of the major parties can win a majority in the Senate and the preferences of minor parties will be vital in winning Lower House seats and hence government.

Labor's policies and pitch will be different in many important respects this time around. Labor faces the difficult task of repositioning itself on the political spectrum under its new leader.

This election will be less of a Tweedledum-Tweedledee affair than in the past. There will be more discernible differences between the Coalition and Labor.

and hence government. The potential of One Nation is in doubt, but essentially the Coalition still faces the prospect of seeing the preferences of the Greens (now the dominant minor party) and the Australian Democrats going mainly to Labor. Nonetheless, this can never be taken completely for granted and the minor parties will have to be wooed by both the Coalition and Labor.

Labor holds government in all states and to the extent that state government performance influences national voting (and it does to a slight extent), this should favour the Opposition. The stocks of some state governments are falling, but in all cases the Oppositions are not making gains of any magnitude.

There may be some trouble for Labor in Queensland, the only state to have an election in 2004. The Beattie government has been perceived as a poor performer in terms of its mishandling of taxation, lack of accountability, dubious practices in raiding budgets of Government Business Enterprises, poor standards in its health and family services systems, sub-standard performance of some Cabinet ministers, and business community disappointment with the Government's failure to capitalise on its very large majority to introduce more radical economic and social reform. However, the Queensland election will be well over before the national election. Because Labor performed so badly in Queensland at the last national election it must make gains there to win government and so that state will figure prominently this time around.

What will be different about the coming national election?

For the Coalition it is a bid for a fourth term and the Government cannot simply promise more of the same, but must focus on reforms within the context of a long-term vision for Australia. For Labor it is a new-look generation message it will be attempting to portray, one differentiated not only from the Coalition but also from previous Labor 'small target' policies and strategies.

The Coalition has changed some of its policy settings, which are now more in accord with public opinion. This is particularly so in the areas of economic, education, health, welfare and family policy. The Government will introduce many changes in the Federal Budget, but also keep some targeted new policies for the election campaign.

From all accounts, Labor's policies and pitch will be different in many important respects this time around. Labor faces the difficult task of repositioning itself on the political spectrum under its new leader who is known, and very much on the public record, as having firm views that sit at odds with traditional approaches, particularly on economic and foreign policy. The familiar problem of reconciling left and right in the party is ever present. For the ALP to become like Blair's New Labour in the UK—if this is a Latham goal—the party would have to rely more on the market than the public sector to deliver reforms to improve the circumstances of lower to middle income constituents. It is here that the factional tensions will be a real challenge. Labor has already nailed its colours to the mast in seeking generational change in Australia and in policy terms this is a challenge in an ageing population. Should Labor focus on achieving a return of 'Howard's

battlers', who have deserted since 1996, or should it target the middle income group seeking a change?

Labor has already announced some changes to its stance on international security policy, conveying the message that it is just as strong on terrorism issues as the Government, so seeking to neutralise the issue that probably defeated the Beazley-led attempt last time. Other policies in this arena are not yet clear, e.g. asylum seekers/refugees and the US alliance, but it is clear that whatever the outcome, the Labor stance will be different in some respects from the 2001 scenario—probably softer.

Consequently, this election will be less of a Tweedledum–Tweedledee affair than in the past. There will be more discernible differences between the Coalition and Labor, and Labor leader Latham will certainly not head up a 'Small Target' approach which Beazley spearheaded for 2001.

The role of the minor parties will be somewhat different at this election. This is predominantly because of the line-up of them this time. The Greens are the dominant minor party at present and seem destined to hold this crown right through to the election. The Democrats are facing a possible wipe-out, with four leaders in two years and falling recognition and stocks in the polls. The fate of One Nation and the political forces it represents from the right are always difficult to predict, but it would seem that they will be far less potent at this election. Taken together, this pattern would seem to make the Coalition's marathon even more arduous—Green preferences favour Labor even more strongly than those of the Democrats, and it cannot always be taken for granted that former One Nation supporters will vote Liberal or National.

The issues of 2004

It looks like these will be the main political issues of 2004 leading up to, and including, the election period—probably in the following order.

1. Leadership

The focus will be on Mark Latham and his capacity to unite and heal wounds in Labor, attract new voters and bring back deserters under a generational change banner, in the midst of intense personal attack from the Government. However, the Liberal Party also has to address this issue and much will depend on whether John Howard is prepared to commit to serving a full term. If not, the election will come to be cast in a Costello versus Latham mould, where the dynamics would be quite different. The Nationals face the same situation if John Anderson makes good his decision to quit at the coming election. Mark Vaile is the obvious contender for them.

2. International security

It is difficult to see any abatement in the level of international tension during 2004. The terrorist threat will still be ever-present and any progress in stabilisation in Iraq and Afghanistan, peace in the Middle East or placating of rogue nations, will be a slow process. It therefore seems inevitable that international security issues will continue to dominate. So too, the issues surrounding border protection, refugees and asylum seekers.

The US Alliance will almost certainly be an election issue. John Howard, like George W. Bush, will surely gain politically from the capture of Saddam

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The two big uncertainties, interest rates and the value of the dollar, are very important political parameters. If either should rise dramatically there will be more trouble for the Government in marginal urban and rural electorates.

Both the Government and Labor will be offering tax cuts of a different nature this year ... This is where the real crafting of election strategy will take place, and probably where the election will be won or lost.

Hussein and the capitulation of Libya's Colonel Gadaffi on weapons inspections. But if the events in Iraq become much worse, al-Qaida and Osama Bin Laden publicly flaunt the Coalition forces and the Australian-US Free Trade Agreement produces few results, the US Alliance will sour. Labor's stance on the Alliance, and particularly that of its new leader, remain murky and will need to be clarified as soon as possible.

Labor will seek to match the Government's toughness in the arena of security, and has already created a shadow portfolio of homeland security and supported the Government's bill for more ASIO powers at the end of 2003. Similarly, Labor seems strong on border protection, although it would rely more on a beefed-up coastguard. However, Labor opposes the excision of any more islands from Australia's migration zone and has a different approach on refugees/asylum seekers, promising to remove children from detention centres, abolish the Government's 'Pacific Solution' for offshore processing, and restore some services to detained asylum seekers. It seems inevitable that Labor will take a softer stance, especially as this is a key belief of new Labor Party President Carmen Lawrence, who resigned from the Shadow Cabinet over her party's stance. Polling during 2003 revealed that the Coalition was seen as stronger in this domain and the challenge was for Labor to be seen as just as strong but more compassionate.

3. The economy

The economy looks like being healthy for the duration of 2004. The Budget surplus will be large by modern standards. Unemployment has been falling slightly and there seems little reason to expect it to rise dramatically this year. The Government's Work for the Dole scheme came in for some criticism (and some praise) in 2003 and it seems certain that Labor would modify or even abolish it. The two big uncertainties, interest rates and the value of the dollar, are very important political parameters. If either should rise dramatically there will be more trouble for the Government in marginal urban and rural electorates. The projected Budget surplus allows both sides to offer some tax relief and spending to ameliorate the impact of any rises in interest rates and the Australian dollar, both of which are not easy for governments to control. The Reserve Bank received a great deal of unsolicited advice from politicians in 2003—the issue of Reserve Bank independence may arise during the election, Labor having already added it to its 'to do' list if it wins.

4. Taxation

Both the Government and Labor will be offering tax cuts of a different nature this year, directed more by political than economic motives. This is where the real crafting of election strategy will take place, and probably where the election will be won or lost. Labor seems likely to rely on increased public expenditure as well as tax cuts to a greater extent than the Coalition. The stark difference over the sale of the remainder of Telstra will remain, with Labor firmly opposed, although its general stance on privatisation cannot be predicted, given Latham's past publicly stated inclinations. He has also flagged, in very general way, his concern to make poverty and provision of rungs of opportunity as centrepieces of Labor policy. It is unclear whether he would deliver this through the taxation or expenditure

arms of public finance. His pronouncements on some ideas and schemes in his pre-leadership days would seem to indicate a mixture of both. (An A.C. Nielsen poll in May 2003 showed that some 77 per cent of the electorate would prefer an increase in government services while 23 per cent would prefer a tax cut.)

The constraint for Labor is that although the Coalition will keep some tax cuts as election promises, they will almost certainly announce some in the 2004 Federal Budget as well, thereby denying the Opposition the opportunity to make large promises of their own without appearing economically irresponsible. We have seen this scenario many times in many jurisdictions. With opinion polls constantly showing the Coalition to be regarded by the electorate as better able to handle the economy, it is an area where Labor has to tread very warily. Having said all this, the Coalition seems destined to offer some tax relief to all taxpayers in both the Budget and the election promises. Labor's promises will be more targeted and probably offer little or no relief to those on the highest tax rates. Even a Labor neo-capitalist, new generation leader cannot be seen as too kind to the wealthy, especially if he comes from Western Sydney.

5. Health

All of the studies of recent national elections in Australia reveal health to be one of the most important issues for voters. The polls constantly show Labor as the preferred party to address health issues. The combination of these two elements has not bitten very deeply into actual voting behaviour, but will this time be different? Yes, it would seem so, given the public exposure in 2003 over problems facing doctors, including public indemnity insurance, the economics of the rate of bulk-billing, lack of hospital beds, and the failure of taxation incentives to significantly affect the take-up of private health insurance. The Coalition sought to neutralise this issue late in 2003 with changes to Medicare and a reasonably generous offer, by recent standards, to states under the Australian Health Care Agreement. However, this will be the policy area where the starkest contrast between Coalition and Labor will appear. The Coalition seems destined to retain a co-payment, avoid directly addressing the bulk-billing rate, provide guarantees to doctors through guarantees of rebates, and offer patients a safety net on total annual expenditure, as well as leaving the private health insurance regime largely untouched. By contrast, Labor will directly address the bulk-billing element; probably abolish any co-payment; shift health provision more to public hospitals and community centres, and possibly abolish or refine the private health insurance tax arrangements. The shortage of doctors in rural and provincial areas will also be addressed differently by the two, with the Coalition relying more on incentives and more medical education facilities in non-metropolitan areas, whereas Labor would make more use of the public system, having already announced a policy to expand outpatient facilities and beds in areas facing doctor shortages. The Senate will be the initial battleground as Minister Tony Abbott tries again to get the reforms of late 2003 passed through the quagmire that characterised this issue in that chamber late in 2003. Since the Opposition, with the support of most of the remainder of the Senators, has flagged the establishment of a Senate Committee to examine this matter, it seems unlikely to be fully resolved before the election.

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The Government will be tempted to soften the tax regime on superannuation; Labor less so, probably relying more on higher pension payments and other allowances.

6. Education

Although the Government's higher education reforms finally passed through the Senate at the end of 2003, it was a compromise and the parts that were compromised will become the pieces of each party's election strategy for 2004. Labor, and particularly the Democrats and Greens, whose support base is youth, will promise to reduce HECS payments, reduce or even abolish fee-paying places, and offer more publicly funded university places. The Government may continue to press for the industrial/workplace elements of the package that were rejected in the Senate.

It seems unlikely that schools or vocational education and training will be large policy battlegrounds, although the government will press its commitment to more national approaches to curriculum, emphasis on values, and so on. Labor will almost certainly promise more public funding for these sectors, especially given Labor control of all states and territories, and will probably promise to review the public funding of private schools and colleges. Past polling gives Labor the edge over the Government as being better able to handle education, so Labor will not want to frighten the horses too much, even the private sector ones. However, promises of more public funding for education rarely frighten even the most sensitive creatures.

7. Superannuation

There has been so much shifting of the goal posts in this field in recent years that it cannot fail to be an election issue. It is a global problem with ageing populations, pressure on public pension funding, increasing mobility of workforces, variable retirement patterns, and so on. It is also in the box of intergenerational issues that have been dominant in 2002 and 2003. We even have a Budget paper devoted to intergenerational issues, one of the very few countries in the world to do this. Older voters are always a crucial element in elections, especially close ones in a climate of uncertainty. As they eye the Budget surplus, the grandparents of the nation will expect to receive recognition of their circumstances. The memory of the very poor performance of super funds in recent years is still fresh, and rising interest rates will generate expectations of better things to come. The Government will be tempted to soften the tax regime on superannuation; Labor less so, probably relying more on higher pension payments and other allowances. The Government has the edge with older voters and is considered strong in this area of economic management but the votes of the elderly and those approaching retirement can never be taken for granted.

8. Workplace relations

The Government has tried and largely failed to introduce further extensions of its industrial relations agenda through the Senate. It will no doubt retain its line of deregulating the industrial relations system and introducing changes from the Cole and other inquiries/incidents. However, it is difficult to see the Coalition putting much firepower into this area politically this year unless there is merit in stirring up the unions, which have been a somewhat moribund force since the last election. With firebrand Minister Tony Abbott now no longer in the portfolio, the policies may remain but the oomph

is flattened. At the instigation of the unions in particular, Labor may well promise to roll back towards the unions' preferred centralised industrial bargaining and arbitration, with diminished or even abolished individual workplace contracts. The Government, by contrast, will hold firmly to the line of its post-1996 reforms, including its tougher stance on unfair dismissals.

9. Family

John Howard promised that this would be one of the priority areas of his third term and there has been a great deal of debate since then. All are agreed that it is an important area and the outlines of the approaches are now fairly clear. The Coalition would address the various elements of this policy arena largely through incentives rather than intervention. Income splitting, tax relief for second wage earners, after-school-care funding, changes to divorce law and settlements, etc. are in the Coalition's sights. A parliamentary committee report (following a Howard initiative) in late 2003 advocated changes to custody arrangements, which were widely welcomed, giving a foretaste of changes leading up to the election. Labor has been readier to embrace concepts such as paid maternity leave, increased family allowances, public provision of child care and so on. Both parties seem willing to admit that there are reforms needed to address the lack of symmetry between family allowance payments and tax thresholds. The Prime Minister even floated the changing of school timetables to accommodate family needs, a suggestion which sunk without trace, especially in the school staff rooms. However, the policies of both the Coalition and Labor are still far from complete and a key component to watch as the year unfolds. Labor conventionally is favoured by more of those polled to handle family policy, but there is much room for innovation and appeal for all parties in this domain.

10. Commonwealth–state relations

In an election year it is to be expected that all the Labor-controlled state and territory governments will make life as difficult as possible for the Howard government and join with their federal colleagues on many issues. Health, education, housing affordability, roads (given their previous opposition to the Auslink proposals), National Competition Policy payments, are obvious areas. Part of their difficulty will be that the GST revenues are growing strongly and, because these go directly to the states, the Federal Treasurer will be able to argue that this Howard government reform is benefiting the states. The matter of the relative distribution of the GST among the states will surface early in 2004 with the report of the five-year review from the Commonwealth Grants Commission. Peter Costello has effectively managed to portray this as a matter for the states themselves in the past, and will no doubt do so again. However, pressure will still be on for Commonwealth tax reform to further facilitate public–private partnerships for the states to engage in infrastructure projects. The private sector will add a strong voice of support to the states on this issue.

11. Media ownership

The Government's proposal to loosen the controls on media ownership is still in the building that flies the large Australian flag on the hill in Canberra. There seemed to be some form of accommodation in the wind during 2003 as the Australian Democrats indicated a willingness to negotiate. In an election

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The environment was off the boil in 2003, but there seems some prospect it will become an issue again in 2004. This would be centred around global warming and the greenhouse effect.

year, especially where the result is so close, the role of the media is even more vital to political parties. Certainly none would want to alienate the media proprietors. The Government will pursue its changes. It is difficult to see Labor opposing them outright and they will probably propose some variation. It will not be a high-profile issue but will simmer below public visibility in the sinews of the Fourth Estate.

12. Republic

This will be an issue, if only because Mark Latham has announced that Labor will make it one. It is worth recalling that at the recent referendum on this issue a small majority of Australians seemed to be in favour of Australia becoming a republic, although they were divided on the form of such a republic and so the referendum failed. A Newspoll at the end of 2003 found a similar result. Labor has announced a strategy to address this phenomenon by a series of plebiscites to first gauge support for the notion of a republic and then, if there is a majority in favour, contemplate the next step of asking for opinion on which form of republic people prefer (i.e. direct or indirect election of the president), and then take that preferred option to referendum.

This issue will clearly differentiate Labor from the Coalition, who will almost certainly not enter the contest in this arena even though there are strong pro-republicans in their front and back bench, including heir-apparent Peter Costello. Raising the issue will help Labor to reinforce its message about leadership generational change and appeal to younger voters and the cultural community. It may not be a dominant election issue but could be an on-balance one.

TABLE 5: Republic for Australia

	Total %	Coalition %	Labor %
Strongly in favour	32	18	48
Partly in favour	19	18	19
Total in favour	51	36	67
Partly against	14	21	8
Strongly against	18	22	11
Total against	32	48	19
Uncommitted	17	16	14

Source: Newspoll December 2003

13. The environment

It was off the boil in 2003, partly due to the Commonwealth Government actions on salinity, the Murray-Darling and protection of the Great Barrier Reef, but there seems some prospect of the environment becoming an issue again in 2004. This would be centred around global warming and the greenhouse effect and the Government's refusal to ratify the Kyoto Agreement despite pledging to achieve the targets associated with the agreement. Several other environmental issues would also be attached, probably including tree clearing, salinity—which is becoming a very serious problem—and funding for many other environmental programs. With the Greens rising and rising in the polls, and their preferences vital to the major parties, the environment may well figure more strongly in the election platforms of Coalition and Labor, with a fair proportion of the Budget surplus going on environmental initiatives.

BOX 3**Senate reform: A referendum?**

There is a real prospect of a referendum being conducted along with the 2004 national election if the Government is serious about its proposals for Senate reform. Much will depend on the reaction to the discussion paper through the Task Force, which is seeking responses to the idea. Since the days of the Fraser government, no national government has had control of the Senate, largely because the proportional representation system for elections to the Upper House leads to a result where minor parties hold the balance of power. In a normal half-Senate election any party or individual who can poll over 12 per cent of the primary vote has a reasonable chance of reaching the figure of 14 per cent required for a quota to gain a Senate place, and in a double dissolution election the quota is only 7 per cent. There are a significant number of Australians who vote for a major party for the Lower House and for a minor party for the Upper House (up to 20 per cent of the electorate have done this). They appear to vote this way as a strategy to achieve a balance of power and prevent any elected government from becoming too powerful.

The net result is that elected governments are often frustrated in the Senate, and this has certainly been the fate of the Howard government, and is the case at present. The only remedy in the Australian Constitution for addressing deadlocks between the two Houses, Section 57, comes via the provision whereby a government can seek a double dissolution of both Houses if one or more of its Bills is rejected twice in the Senate. The Australian Senate is arguably one of the most powerful Upper Houses in the world in terms of its influence over the Lower House, since it can in effect force the Lower House to an election by blocking supply without itself having to go to an election—an essentially undemocratic situation.

Recent circumstances have also led to the problem of the 'clash of mandates', whereby an elected government in control of the Lower House can quite obviously claim a mandate for its policies following an election, while a minor party elected to the Upper House and in command of the balance of power can also claim a mandate given to it by its election supporters.

The Howard government is endeavouring to address this matter by a change which would allow for a situation where Bills rejected twice by the Senate could be put to a joint sitting of the both Houses without an election being called. Clearly if the Government had a large enough majority in the Lower House it could override the lack of its majority in the Upper House and pass its legislation. The Government will probably gain Labor support for this initiative because Labor is no lover of the Senate and indeed was thwarted by it in the famous events of November 1975. Indeed, Labor policy for a long period of its history has been to abolish the Senate. The minor parties and presumably all of the independents in the Senate will be opposed to this idea.

A better alternative, less effective but less draconian (put by Sir Charles Court to a Constitutional Convention in Perth some years ago), is to amend the Constitution to retain the Senate's powers re the Lower House, but to provide that if the Senate obstructs the Lower House and so forces it to an election, the Senate would also face an election.

The Howard government will go into this election with a majority of only 14 seats. It needs to lose only eight seats to lose office. This can occur with a uniform swing against the government of just over 2 per cent. This is another very close election.

It looks as if the Howard government is serious about reform in this area and that it is not merely seeking to frighten the minor parties and independents in the Senate into not rejecting its legislation, and so a referendum on this issue is definitely on the cards. It would be conducted at the same time as the national election in 2004, so as not to incur additional costs. Although it would complicate the election, any voter angst would be neutralised to a large extent if it gained Labor support. Clearly, the other parties would characterise it as a power grab by the major parties and appeal to Australian voters to vote 'no' to preserve the balance of power. Given the Australian mistrust of politicians and the low esteem in which they are held, such a campaign might be more effective than the major parties' appeal to make Australia more governable by approving the measure.

The election context

The Howard government will go into this election with a majority of only 14 seats. It needs to lose only eight seats to lose office. This can occur with a uniform swing against the Government of just over 2 per cent.

This is another very close election. The last poll for 2003, with the new Labor leader just in position, had Labor about 2 percentage points behind the Coalition on a two-party preferred basis, probably just short of enough support to win government but an improvement on most of its 2003 polling.

As usual, there will not be a uniform swing and so it is necessary to consider other factors. One is the regional situation:

TABLE 6: 2001 election, House of Representatives

	Per cent of votes				
	Coalition	Labor	Democrats	Greens	Hanson
NSW	42.80	36.45	4.24	4.75	4.77
VIC	42.15	41.65	6.25	5.90	1.28
QLD	45.60	34.70	4.31	3.49	7.07
WA	42.41	37.14	4.66	5.99	6.27
SA	45.90	33.74	10.54	3.64	4.75
TAS	37.10	47.17	4.48	7.81	2.87
ACT	32.39	46.98	8.03	7.07	2.75
NT	40.54	42.90	5.26	4.02	3.82
AUS	43.01	37.84	5.41	4.96	4.34

Source: Australian Electoral Commission

Table 7 indicates the way the seats fell and in the 2001 election, while the swings are presented in Table 8.

TABLE 7: 2001 election, fall of seats

	Coalition	Labor	Total seats
NSW	28	20	50
VIC	17	20	37
QLD	19	7	27
WA	8	7	15
SA	9	3	12
TAS	0	2	5
ACT	0	2	2
NT	1	1	2
AUS	82	65	150

Source: Australian Electoral Commission

TABLE 8: 2001 election, swing to and from the ALP

	Per cent
NSW	-3.67
VIC	-2.72
QLD	-1.40
WA	+0.94
SA	-0.74
TAS	-1.73
ACT	-3.66
NT	+0.60
AUS	-2.26

Source: Australian Electoral Commission

It takes very little analysis to see that Labor is weakest in Queensland, South Australia and Victoria, and cannot hope to win without an improved performance in at least two of those states. (A federal redistribution conducted since the last election is reported to have slightly bolstered the Government's stocks and one new seat is destined for Queensland, being lost from the Northern Territory.)

However, it will be the marginal seats where the real contest will occur. Table 8 presents the distribution of marginal seats by state. Labor's best prospects here are in New South Wales and Queensland. This scenario was reinforced by polling towards the end of 2003 which showed Labor doing noticeably better than its 2001 election performance in New South Wales but significantly below in Victoria, and about even in other states. However, Labor itself is vulnerable, especially in Victoria.

TABLE 9: Marginal seats by state

	Coalition	Labor
NSW	9	3
VIC	3	9
QLD	6	4
WA	2	4
SA	2	1
TAS	0	2
ACT	0	0
NT	1	1
AUS	23	24

Source: Australian Electoral Commission

For a different perspective, consider Table 10.

TABLE 10: Marginal seats by region

	Coalition	Labor
Inner metro	4	8
Outer metro	8	9
Provincial	2	3
Rural	10	4

Source: Australian Electoral Commission

Clearly the real battleground of the election is in the fringe metropolitan areas again—mortgage belt and middle income territory—where interest rates and taxation policies are big concerns.

We have no useful polling since the change of Labor leadership on how

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The obvious advantage to the Government of having a double dissolution is that if it again fails to gain control of the Senate—a real prospect—but maintains a reasonable majority in the Lower House similar to the majority it has at the moment, all of the measures rejected by the Senate could be put to a joint sitting and passed.

The real disincentive for the Government is that a double dissolution exposes all of its own Senators to the election, a prospect many in the burgundy chamber would not relish.

the parties or leaders are faring in marginal electorates or with demographic groups—it will take some months for this crucial data to appear.

Timing of the election: Double dissolution?

The Government now has a small stockpile of fodder for a double dissolution, which is possible under Section 57 of the Australian Constitution when the Senate twice rejects legislation that has come to it, having been passed in the House of Representatives. The current stockpile of measures includes changes in industrial relations and the Pharmaceutical Benefits Scheme. The pile may grow a little in early 2004 if the Senate rejects more Bills, including health reform or the sale of the remainder of Telstra. The Government may, of course, deliberately pass more legislation which it knows will be rejected in the Senate. The obvious advantage to the Government of having a double dissolution is that if it again fails to gain control of the Senate—a real prospect—but maintains a reasonable majority in the Lower House similar to the majority it has at the moment, all of the measures rejected by the Senate could be put to a joint sitting and passed. This is an attractive proposition for reforms for which the Government knows it will never be able to get support from minor parties and independents, even in a compromised format. A Government entering its fourth term with some of its key ideologically based policies still not implemented would be very tempted to try this route.

The downside is that a double dissolution means a lower quota for election to a Senate position, which will maintain a proliferation of minor parties in the Senate. However, there would most likely not be many more in total than at present and the Government is no worse off in this respect since it cannot hope to gain many additional seats itself, if current polling is any guide. The real disincentive for the Government is that a double dissolution exposes all of its own Senators to the election, a prospect many in the burgundy chamber would not relish.

The window for a double dissolution closes in August 2004. This focuses attention on the possible dates for an election. The Liberal Party is reported as having advanced the dates for its preselections, indicating that the Prime Minister wants to keep open the prospect of an early election, though he has said many times that he prefers governments to go a full term, whereupon November or early December is the most likely date.

There is a state election in Queensland, most likely in the first quarter of the year, which the Labor government will probably win with a reduced majority, and an ACT election in the second half of the year. The Olympic Games begin in August, soaking up all the media attention. The silly season of football grand finals has to be considered, as well as school holidays, which seem to get longer every year. The results of the US election may be a factor, given the Prime Minister's close association with President George W. Bush. If Bush's re-election chances look at all shaky it may be better to call an Australian election in advance. The United States election is due in November.

It will be an added complication if the Government decides to hold a referendum on Senate reform with the election. How voters would reconcile that with a double dissolution is unclear. One line of reasoning might well

be: why does the Government need to reform the Senate if it can just call a double dissolution like this to endeavour to get its way?

Much will depend on how the Labor Party polls early in 2004 under its new leader. If the opportunity seems ripe, it would be very tempting for the Prime Minister to call an early election and make it a double dissolution. This also helps him a little to promise he will serve out nearly another full term before retiring. This scenario cannot be ruled out, although a conventional election at the end of the year seems slightly more probable. A great deal hangs on the result, with John Howard having decided not to step down in 2003. Voters would be somewhat interested to know whether the next full term of government would be one with Mark Latham pitted against John Howard rather than Peter Costello. The confusion and business that would surround a double dissolution election or an early election does not mesh well with the image of a Prime Minister who is sure and steady, and whose main appealing characteristic for voters seems to be his assuredness, consistency, and lack of opportunism.

On balance it looks like a late 2004 conventional election with a possible referendum on Senate reform, but it is too close to call.

Challenges

Late last year the population of Australia reached 20 million. This may give cause in 2004 to reflect on the achievements of our middle-sized nation which performs well above its weight in the international arena, enjoys a well-performing economy on most measures, has a robust democracy founded on the rule of law, no history of civil war, a good record in offering opportunity to those who 'have a go', good pathways for lifelong education, creative citizens, a rich cultural mosaic, and a beautiful environment.

It should also give cause to ponder the less satisfactory aspects, including the plight of our Indigenous people, especially their health; the fact that there are now third generations of unemployed in many parts of the nation who have never known what it is to experience gainful employment; still unacceptable levels of youth unemployment, especially in rural areas; growing problems of alcohol and gambling addiction; high levels of debt; a creaking health system; and a less secure way of life.

An election year is a good time to reflect on the destiny of these 20 million people, to celebrate the achievements and address the challenges.

On balance it looks like a late 2004 conventional election with a possible referendum on Senate reform, but it is too close to call.