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Get better arms and a new map

HENRY ERGAS THE AUSTRALIAN DECEMBER 01, 2014 12:00AM



Illustration: Eric Lobbecke Source: Supplied

WITH Victorians flocking to put King Herod in charge of the nursery, the federal Coalition could be forgiven were a sense of anxiety intruding like a creeping fog. Whatever its weaknesses, the Napthine government was neither incompetent nor corrupt; that it was thrown out after a single term suggests an electorate that is impatient, intolerant and unforgiving.

No doubt, Victoria, with its relatively high share of inner-city voters, concentrated in the public sector, was always going to be tough on the Coalition; and plenty of local factors made it tougher, with the state's transport woes prominent among them.

Since 2001, Melbourne's population has increased by nearly 25 per cent, compared to 16 per cent in Sydney. So although Sydney's roads are still more congested, traffic delays in Melbourne's afternoon peak have risen by over 50 per cent. Adding to commuters' ire, chronic overcrowding, inherently harder to tackle on Melbourne's trains and trams than on Sydney's more bus-centric network, has become a feature of the city's public transport.

But "transport rage" hardly explains the outcome. Rather, the Coalition was doomed by political errors. Coming to office unexpectedly, no one seemed more surprised at being thrust on to centre stage than it was. Blinking in the limelight, it exuded the prudence of a trustee, not the vigour of an impresario.

When it became embroiled in a savage brawl with one of its own, it appeared to be entirely focused on the internal machinations of Spring Street. And with that unending drama dominating the airwaves, the

government's achievements, including transforming a fiscal deficit of \$410 per capita in 2010-11 into an operating surplus of \$217 per capita in 2013-14, got lost in the struggle to pass legislation.

Distracted by that struggle among others, it failed to aggressively pursue the opposition, allowing Daniel Andrews a dream run, despite the stench wafting from his union associates. The Greens were treated even more favourably, as the Coalition conceded their case on issues ranging from renewables to coal seam gas.

Little wonder the electorate made up its mind long ago. After all, voters no longer give governments mandates, they give them opportunities. As the social cleavages that once made voting patterns stable vanish, those opportunities have become increasingly fleeting. Unable to convince voters it had a project worth pursuing, and lacking a front bench capable of demolishing the opposition, the Victorian Coalition let its opportunity slip.

The question is whether Tony Abbott will do the same. Rightly or wrongly, the electorate takes for granted the promises on which his government has delivered, limiting the political capital on which he can draw. And rightly or wrongly, it has concluded that his budget measures are unnecessary and unfair, strengthening Labor's incentive to block them.

That creates the danger of Abbott being trapped in the toe-cutting caricature to which the Left has always sought to condemn him. Consumed by futile attempts to pass unpopular budget measures, he risks having no positive project to galvanise the electorate. That risk is magnified by time bombs his own government has planted that seem designed to explode as the next federal election approaches.

The first is in health, where the government, taking a leaf out of Stephen Harper's playbook in Canada, has announced that as of 2017-18 it will cap the commonwealth's contribution to hospital costs, indexing it to population growth and CPI.

However, even in Canada, where health genuinely is a provincial responsibility, it has become clear that curtailing outlays comes at a steep electoral cost if it compromises service outcomes. Without a health policy that can convince Australians the states will provide more with less, Abbott is inviting the mother of all scare campaigns.

The same holds for schools. The previous government's Gonski commitments were reckless, doubling commonwealth spending. However, the decision to freeze expenditure per student in real terms as of 2018, implying public funding will fall as a share of national income, seems arbitrary and inconsistent with trends overseas. Here too, spending caps should complement, not replace, proper policy development.

Last but not least is pensions, where the budget announced that from 2017, the age pension will be indexed by CPI, rather than by Male Total Average Weekly Earnings. But with older voters crucial to the government's survival, it is difficult to believe that commitment can be implemented.

Had it been in effect from 2003, for example, the age pension, already below the amount the Association of Superannuation Funds of Australia judges necessary for a "modest" lifestyle, would be a third lower than it is today. As experience in Britain shows, such large gaps between aged pensions and average living standards lead to a proliferation of top-up payments, undermining equity, efficiency and fiscal discipline. Yes, there is a case for reforming retirement incomes; but reform must advance economic security in old age, not ignore it.

The ship of state therefore needs more than barnacle removal: it requires a new map. Instead of budgetary machismo, that map must offer workable solutions to broadly experienced problems. And it must be honest both about what would be ideally desirable and what can practically be achieved. As things stand, the government has too many enemies and too few bullets. It has to pick and plan its fights more carefully, improve its munitions, and become more adept at their delivery. If it does, 2014 will look, in retrospect, like a dawn mistaken for a sunset. If it doesn't, see under Naphtine.

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