

THE AUSTRALIAN

Governments can afford no mistakes

HENRY ERGAS THE AUSTRALIAN FEBRUARY 02, 2015 12:00AM

THE voice of the people, the Romans used to say, is the voice of the gods. And on Saturday, that voice decisively rejected Queensland's LNP government and the policies it stood for.

No doubt, many Queenslanders, in casting their vote against a government they largely expected to win, were expressing a protest vote rather than seeking Labor's return to power. But that the protest vote was so large is telling and consequential.

Consequential first and foremost for Tony Abbott and the federal Coalition. Just a few weeks ago, Victorians turfed out a first-term Coalition government widely chided for being faint-hearted. Now Queenslanders have inflicted the same fate on a government no one could accuse of undue timidity.

On the contrary, the Newman government proved more than willing to make the tough decisions. Public spending, which in Labor's last decade was growing by more than 6 per cent a year in real terms, actually fell in the LNP's first two budgets and was then set to only grow at a sustainable 1.2 per cent annually.

Thanks to that expenditure restraint, the government was able to achieve a remarkable \$8 billion budget turnaround in just four years, allowing an expected return to surplus in 2015-16.

And as the budget moved into the black, a credible strategy was in place to bring the state's liabilities, which had increased under Labor from 100 per cent of revenues in 2001 to 174 per cent in 2012, back to prudent levels.

For sure, the usual dose of pork barrel snuck into the LNP's election promises as the campaign progressed. But key elements of Newman's platform came straight out of the economic reformers' playbook, including the privatisation of government-owned businesses.

Nor is there any question those businesses could do with an injection of private-sector disciplines: even correcting for Queensland's topography, the state's electricity monopolies have among the highest costs in the country. With users paying those costs, Australian Competition and Consumer Commission Chairman Rod Sims was right to say that had those assets "been owned by the private sector, we'd probably have lower electricity prices than we do now".

It is easy to claim the government should have done a better job of selling its policies. But that ignores its massive "Strong Choices" campaign, which involved senior ministers in months of intense community consultation, explaining the state's fiscal predicament. Those efforts seemed well designed and executed; yet they clearly failed to persuade voters.

None of that is to deny the important role other factors played in the government's defeat,

including Queensland's rising unemployment, Campbell Newman's confrontational style and radio broadcaster Alan Jones's effective campaign against what he saw as corruption. Nor is it to ignore the harm caused by Abbott's gaffe over Prince Philip, which merely added to his deep unpopularity.

But those factors just make the federal Coalition's dilemma starker. After all, the message is clear: with a footloose electorate no longer erring on the side of giving first-term governments another chance, reforming governments simply cannot afford to make any mistakes.

Unfortunately, the Abbott government's problem is that it has already made so many. And with its political capital exhausted, it now faces an extraordinarily challenging second budget, made all the more difficult by a deteriorating international environment.

Moreover, even if it clears that hurdle, it will then have to prepare for a federal election in which Labor can rely on supportive governments in at least Victoria, Queensland and South Australia, all likely to be thoroughly permeated by Labor's party machine.

Adding to the dangers, Abbott's reluctance to curb the unions' power has not weakened their resolve to destroy him. Queensland Labor leader Annastacia Palaszczuk's first thanks went, unsurprisingly, to the unions; but the costly campaigns they launched in Victoria and now Queensland are sure to pale compared to that the next federal election will see.

The risk, as all that sinks in, is that the Coalition will dig itself into a bunker of hand-wringing and resentment, egged on by a media whose analysis too often descends to "cherchez la femme". Instead, the Coalition's task is to clinically digest the lessons of the past 18 months.

For example, the fiasco over six-minute medicine, coming on top of that over co-payments, highlights severe flaws in the government's policy process. The need to properly prepare policies; to have credible data which supports them; and to ceaselessly explain what is being done: all these were ignored in what started as an embarrassment and ended as a farce.

The budget strategy, too, needs reconsideration. It is surely breathtaking that a government spending more than any Australian government ever has, and proposing to continue to do so, allowed itself to be typecast as tight-fisted and uncaring.

But that is inevitable if it persists in confusing retrenchment with reform, suggesting, for example, that freezing the aged pension (as the Coalition intends to do from 2017-18) is either feasible or desirable. Were the Coalition to lose office over such policies, any fair-minded inquest would return a verdict of suicide.

Whether the Prime Minister and his Treasurer are capable of overcoming those weaknesses is an open question. But even if they can, that hardly guarantees ultimate success. The saying that "good policy is good politics" may be comforting, but it is little more than a homily. Rather, as Queensland shows, the electoral gods are every bit as fickle as the gods of antiquity, denying time and again the myths reformers use to sustain good combat.

To claim there are any miracle cures to Abbott's plight would therefore be reckless. But getting policy right would be a good place to start.

Until that is done, he and his government will look less like a phoenix, waiting to rise from

the ashes, than like a cooked goose.

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