



## The 2004 Federal Election: Impacts for Regions

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### Introduction

The Howard Government's re-election for a fourth term has important implications for regional Australia.

Importantly, fourth terms are as rare in Australia as they are in other western democracies. At a national level only the Menzies Coalition Government in 1958 and the Hawke Labor Government in 1990 achieved such success. Moreover, it is not just winning a fourth term that makes the 2004 election potentially important, but also that the Howard Government has for the first time since the Fraser Coalition Government (1975-83) secured full control of the Senate. Such political hegemony over both houses of parliament is also rare internationally.

Overall, this means there will be considerable policy continuity. By the time the next election is due in 2007, Australia will have experienced nearly twelve years of Coalition government - possibly even under one leader if John Howard stays as Prime Minister. Control of the Senate also means the Howard Government will not have to compromise with Independents and minority parties. Some of these senators like Brian Harradine, the Tasmanian Independent, or the Green Party, had clear regional, as well as national, policy goals. For instance, national forest agreements had both regional origins and national policy dimensions. Further, with such political ascendancy, the fourth Howard Government has the potential to be what some regard as the 'real' Howard Government, confident, unrestrained and ideologically charged. Just how far this will take the Howard Government down

previous blocked policy avenues and affect regions remains to be seen.

### The election results - regional political impacts

Certainly, we can quickly observe some of the immediate political aspects of the 2004 elections and how these may have important potential regional impacts.

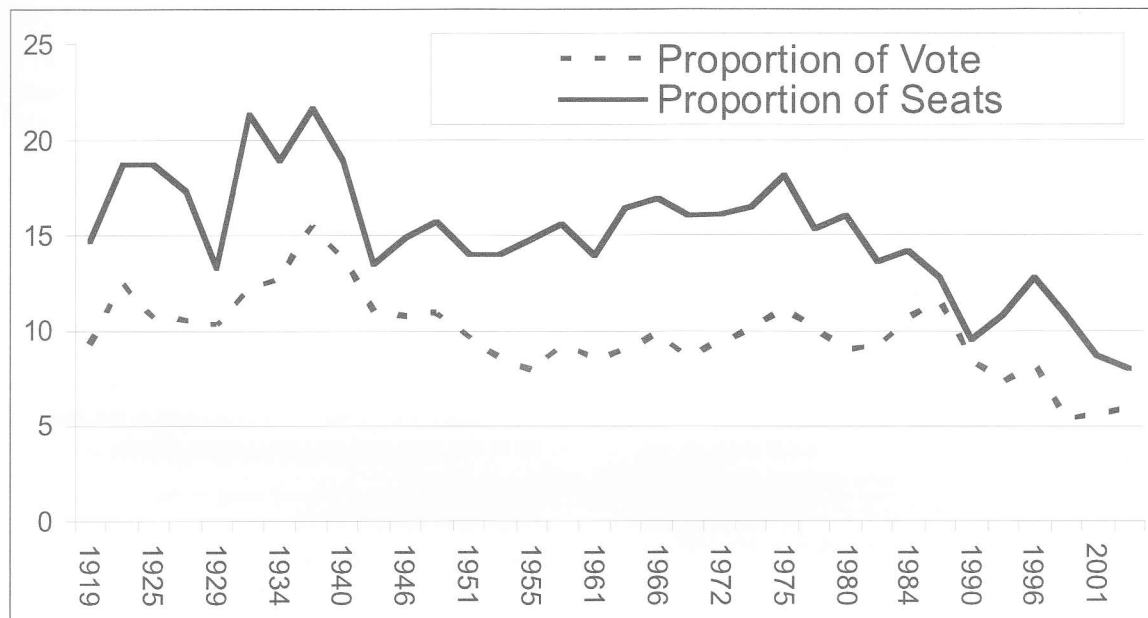
One significant feature of the election has been the disappearance of One Nation as a major political force, or what some describe as irritant, on the political landscape especially for the non-Labor parties.

Further, the National Party performed poorly. Although winning the sixth Senate position in Queensland, the Nationals lost an important seat (Richmond) and failed to win back important former strongholds in Queensland (Kennedy) and New South Wales (New England) from Independents. The Nationals now hold the lowest proportion of seats in the House of Representatives in their history and received their second lowest national vote. The National Party overall vote only rose by 0.5 per cent (see Figure 1). In 1975 the Nationals received 11.3 per cent of the vote - it is now 5.6 per cent. The National Party's base has narrowed to only three states - Queensland, New South Wales and Victoria in what are increasingly rural seats. The loss of Richmond in northern New South Wales highlights how the National Party is losing its hold on the emerging coastal and 'lifestyle' growth regions (Salt

2003). While in recent times the National Party was pressured from One Nation, it still faces competition from both the Liberals and Labor Party who have been nibbling at its regional support base

for years. There also remains the threat of more Independents who can best develop local support and campaigns at regional levels from disillusioned voters.

Figure 1: National Party performance in the Federal House of Representatives



Another aspect of the election results was that the Coalition overall and the Liberals in particular, received a significant swing and increased its majority (Mackerras 2004). Such swings are unusual for long term governments. That this has been accompanied by consistently high opinion poll ratings of John Howard as Prime Minister reinforces the Coalition and Liberal Party political dominance. In summary, the Howard Government did not just get over the election finishing line, but won convincingly thus giving any government confidence about its abilities and mandate.

There are several political implications of the 2004 election for regions.

First, the election confirmed the National Party as a weakened political force in Australian politics. It now does not have either the numbers in the Coalition party rooms to extract regional policy benefits nor the same quality of political operatives compared with earlier times (Costar 1997) who were able to resist the previous market driven policy initiatives of its senior Coalition partner. During the Fraser Coalition Government (1975-83) the National Party and its then leader Doug Anthony were able to scuttle many of the Campbell Inquiry's proposals

for deregulation of the banking and finance industry then being proposed by Treasurer Howard (Kelly 1992, *Sydney Morning Herald*, 14 November 1981).

Second, some of the previous 'no-go' policy areas with important regional implications such as the sale of Telstra, will be placed firmly on the agenda for action. Exuberant breast beating by the newly elected Queensland National Senator, Barnaby Joyce, and other Nationals that they are going to exercise restraint on the Liberals in relation to these market based policy initiatives should not be taken seriously. The Nationals will cave in on every issue. The reasons are clear. Continued National Party electoral survival, even in the regions, is now more dependent on the electorate's perceptions of Howard and the Liberals. Threats by the Nationals to oppose certain policies will not only end in embarrassing backdowns, but also possibly adversely affect the electorate's overall perceptions of the Coalition government and thus future support for the Nationals.

Other areas of policy such as a more relaxed immigration policy may be expected with the demise of One Nation.

Nevertheless, there remain political constraints on

the fourth term Howard Government with regard to its market driven policy goals in relation to regions. One is the growing number of Liberal regional seats, some of which were once held by the National Party. For instance, on the Queensland coast Liberal regional seats include Leichhardt, Fisher, Fadden and Herbert. There are enough Liberal backbenchers to remind the government of regional issues. The generous sugar industry restructuring package announced by the Howard Government in the run up to the 2004 election highlights this.

However, the 2004 election results have changed the nature of this regional support game. In particular, the results removed the political imperatives for special and large government largesse for regions. Not only has One Nation disappeared and more Independents (e.g. in north Queensland) not emerged, but also and more importantly, the 2004 election considerably improved the margins of many regional Coalition seats. The once marginal seat of Leichhardt in north Queensland now requires a swing of 10 per cent. This makes regional electoral backlashes less potent and combined with Coalition control of the Senate now gives the Howard Government greater ability to pursue more strongly market driven policies.

The real political issue is how far the previous pragmatic Howard Government, now more politically powerful, will be prepared to compromise its long term and more ideological goals of deregulation and privatisation to meet and manage regional demands from interest groups and its junior Coalition partner?

## The Howard Government and regional policy initiatives

### *Policy Drivers*

The macro policy drivers that can be discerned from the Howard Government's previous eight years in office and which will underpin future policy initiatives, include:

- reliance on market based policy solutions (e.g. tax incentives, competition);
- deregulation (e.g. labour markets, banks);
- less government assistance to industry (e.g. lower tariffs);
- specific but limited industry restructuring with tied assistance (e.g. dairy and sugar industries);
- temporary restructuring subsidies;
- privatisation (e.g. airports);
- support for level playing fields in agricultural products; and,
- maintenance of budget surpluses.

These drivers were tempered, but not blunted, by the emergence of One Nation, the need to support the National Party that was bearing the brunt of this new political force, especially in Queensland, and the realities of dealing with minority parties and Independents in the Senate. There was disappointment from some pro-market interest groups (e.g. Australian Chamber of Commerce, Business Council of Australia, Institute of Public Affairs) that the Howard Government had not gone far enough on industrial relations, privatisation and taxation reforms. It was also suggested that budget expenditures were too high especially in the lead up to the 2001 and recent elections (Warby 2004).

### *Regional Responses*

The features of previous Howard Government responses to regional issues have ranged from initial neglect in its first term to alarmed discovery following its near loss in the 1998 federal election and the emergence of One Nation as a major political force. The hastily abolished regional programs and bureaucracy were subsequently reinstated leading to the present Department of Transport and Regional Services under ministerial direction, significantly of Deputy Prime Minister and Leader of the National Party, John Anderson.

Specific regional policy initiatives of the Howard Government have included programs like Regional Partnerships (\$308m), *Sustainable Regions* (\$32.5m), the *Exceptional Circumstances* program and industry packages for the dairy industry and that announced for sugar industry just prior to the election at a cost of \$444m to encourage large scale restructuring.

Importantly, the language and underlying rationale of regional programs have been subtly changing. They have been framed increasingly in the context of responding to real identifiable needs, assisting in restructuring of certain sectors, helping ailing regions and providing measures for regions to help themselves. Hence, the stress on community self-sufficiency, partnerships, adjustment and retraining.

Specific sectors, deemed to be particularly important, such as the possible sale of Telstra, were

targeted with considerable funds and a range of actions. Indeed, regional tele-communications were subject to two public inquiries (one in 2000 and the other in 2002) with considerable additional regional funding (Alston 2003) in a bid to build support for privatisation moves. They generally failed to convince many regional interests, elements of the National Party and the minor parties in the Senate.

In other areas, like public funding of the ABC, the *Mansfield Review of the ABC* established with the apparent original intention of cutting services, was blunted because of the unexpected and high level of responses of support from regional Australia.

Of course, regions enjoyed some of the benefits of what some call traditional big pork barrelling projects (Wilson and Prasser 2004), such as the Adelaide to Darwin railway. Some have also seen the sugar industry restructuring package as a clear example of excessive pork barrelling for regions to assist Coalition members (Robson 2004).

Regions have often been beneficiaries of a host of other policy initiatives because of the location of certain problems or industries (e.g. salinity and landcare, roads in growth areas, and national strategies e.g. food strategy).

### *Future policy trends for regions*

We can now expect that the fourth Howard Government will continue to adhere to its market approach to economic and policy development. The emphasis and rhetoric will be on 'getting the fundamentals right'. By this the government is talking about the economic fundamentals of budget surpluses, low inflation and interest rates, increased competition and improved trade. The government's argument is that regions, like other interest groups or industry sectors, should not expect any special deals that in the long term undermine these basic economic fundamentals and adversely impact on regional interests and in particular, business viability.

The fourth Howard Government may also be expected to more vigorously pursue some of its recent successes. For instance, with the approval of the free trade agreement (FTA) with the United States, other bilateral trade agreements with Asian nations that may impinge on rural industries and regions will gain momentum. Some of these will impact more on manufacturing sectors.

The much expected new push on industrial relations deregulation will have only incidental impacts on rural industries, but will be of interest to regional businesses dominated as they are by small business.

There is opportunity for regions to leverage off some of the policy promises made by the Howard Government. For those regions with the wherewithal to seek them, the new directly federally funded technical colleges could be used to assist some regions in enhancing the limited professional skills base that has been seen as retarding regional economic growth (Miles 2004).

The previous stress on community self sufficiency and partnerships will continue. However, generous \$444m sugar industry restructuring packages will be less forthcoming and indeed, this program itself maybe substantially wound back now that we are entering the post election financial reality period of the electoral cycle.

Where regions will receive potential benefits, is where major new national infrastructure spending initiatives coincide with particular regional characteristics. Indeed, infrastructure issues will become increasingly important on both state and federal policy agendas (Allen Consulting 2003). Hence, the Federal AusLink road program that seeks to respond to emerging transport demand needs will be of particular benefit to growth regions. Similar comments may be made about the \$2 billion *National Water Initiative*.

Privatisation, a largely stalled policy goal of the Howard Government will now receive renewed interest. The most important of these from a regional perspective is the much discussed sale of Telstra. For some commentators, this is the real test as to whether the fourth Howard Government is really going to use its immense political capital and power to promote the reform they deem as necessary or will the Howard Government, like the Fraser Government two decades previously, take easy options. For others, the sale of Telstra will be seen as an ideological act of an arrogant government running roughshod over the Senate and regional Australia.

Lastly, the Howard Government's previous interests in 'eco-techno' solutions such as alternative energy production (e.g. wind power, hydrogen power) appears to be gaining increased support and has clear manifestations in regional areas.

## Conclusions

The re-election of the Coalition government under the leadership of the pragmatic John Howard will not mean that regions will be forgotten in policy considerations. However, many of the threats that faced the government previously have dissipated, if not completely disappeared. One Nation is gone, but the potential for other populists' movements to appear or for Independents to emerge will not be underestimated. The fourth Howard Government will keep a watchful eye on these regional trends. Some of the regional funding excesses of the past will be reined in, even for already announced schemes. In the future, regions will be less cushioned from the Howard Government's market driven reform policies. The Howard Government will not eschew some regional pork barrelling, but the barrel will, in the light of changed political circumstances, and continuing economic prosperity, be smaller and more judiciously managed than previously.

In the short term, regional issues are not a priority. When they are considered at all it will be in the context of how the adverse impacts of national programs can be minimised rather than how new policies will be needed for regions. Australia's increasingly acceptance of globalisation will continue and opposition from a small number of regionally based groups will have no impact on this.

One warning is that some regions are changing because of the prosperity and type of economic development that Australia has experienced during the last fourteen years of uninterrupted growth. Policy actions create new policy problems. The most important of these are demographic changes and movement of large numbers of people to 'lifestyle' regions. Although some have suggested this change has been exaggerated (Bell 2003), both real and perceived impacts are beginning to produce political responses. Already (in November 2004) a group of coastal local governments formed a *National Sea Change Taskforce* (NSCT) to 'identify and implement effective solutions to managing the challenges of seachange growth' (NSCT 2004). This will eventually culminate in a demand for funds and increased federal government involvement in an area that Coalition governments have shown amazing disinterest - urban Australia. The issue is that it is in many regional areas that are now being urbanised and where the problems of growth are having to be confronted. It will be one of the interesting future areas to watch.

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