

23 August 2010

Federal Election Preliminary Analysis

A number of APA's clients have asked us for advice on the likely final outcome and implications of Saturday's Federal poll. This paper is an attempt to summarise the key questions in under 1500 words.

What are the numbers?

The best estimate still looks like Coalition 73 to Labor 72, presuming the Liberals hold their lead in the seats of Hasluck and Brisbane, both of which seem likely. While Brisbane is particularly tight, the 'state-of-origin' mood which prevailed while Kevin Rudd was still making regular campaign appearances should be prominent in the early postal votes.

Beyond that, Labor's hopes of matching a Liberal 73 by turning the tide in Denison look slim, with Andrew Wilkie joining the Greens' Adam Bandt in Melbourne. In an interesting twist, both will come into Parliament on Liberal preferences.

There are other seats nominally in play, including Corangamite in Victoria and Greenway in Sydney (Labor-led), Macquarie in NSW (Liberal-led) and Grayndler (Greens and Libs together have more votes than Anthony Albanese) though these are outside prospects.

Who will form Government?

This will likely take a week to answer, as the credibility of competing arguments rely on the final seat tally. However, there are two likely permutations, with two distinct sets of problems.

First, Labor could form Government with its 72 seats, Adam Bandt and Andrew Wilkie (neither likely to support the Liberals) plus at least two of the East-Coast regional independents. Of those, it's difficult to imagine Bob Katter finding ease with delivering Government to Labor. Rob Oakeshott is likely to be relatively indifferent, and has an electorate who will probably tolerate either choice. Tony Windsor will need to seriously consider whether New England will accept a tilt towards Labor, particularly if they have less seats than the Coalition, and he has the history of supporting a minority Greiner Government as a State independent in 1991.

The second, and at first glance more feasible outcome is that a 73-seat Coalition can cut a deal with all three ex-National Party independents together. However, this is not without its complexities. The National Party will naturally be reticent to excessively reward ex-members, thereby boosting the independent brand in its heartland. And Tony Crook, the Western Australian National who appears to have replaced Wilson Tuckey in O'Connor, is making noises about a 'royalties-for-regions'-type deal, which would likely also appeal to the sitting independents. In the current Federal fiscal environment, such a policy is unimaginable, so Tony Crook will be an interesting variable.

What about the Senate?

The Greens have retained their Senate seat in WA and their two seats in Tasmania, and appear to have won a seat in each of the other States, though NSW remains unclear. Beyond that, the Coalition looks set to drop a Senate seat in Victoria, with the prospect of either a third Labor, or even a DLP candidate. Julian McGauran may be ruing his switch to the Liberal Party.

This all looks like 34 Coalition, 31 Labor, 9 Greens, 1 DLP plus Nick Xenophon. The only potential changes in that make-up could be one or two more Labor Senators in NSW and Victoria instead of a Green and the DLP. The failure of the Greens to take an ACT Senate seat means that the change in numbers is on 1 July next year, rather than at the next Sitting of the Senate (Territory Senators serve terms of the House of Representatives).

One interesting facet of this upheaval is that in the Coalition's 31 Senators, there are now six Nationals, with Bridget McKenzie joining the team in Victoria, and including Nigel Scullion from the CLP. This notably also gives the Nationals balance of power in the Senate.

Can there be an effective Government?

Both Government scenarios are challenging, but perhaps the Liberals' more so. Cobbling together a majority in the House is simply a matter of guaranteeing supply: it is likely that all other legislation will be tested on a vote-by-vote basis.

But for the Liberals, a hostile Senate will make their legislative program particularly challenging.

Labor faces a superficially easier task, but with a more a profound long-term challenge: if it needs to gear its legislative program to the whims of the Greens, then it will be driven away from its preferred centrist positioning towards policies which are likely to see it comprehensively out of Government at the next election.

In either case, there is obviously no stability here, and there is a strong prospect of a new House election well inside this term, perhaps in as little as twelve months.

What does this mean for lobbying?

First, it means that all deals are off the table, as the major Parties negotiate for Government. And the dynamics of the Parliament mean a greenfield start for all lobbying campaigns. APA would suggest five principles which will characterise lobbying over this, and probably future terms of Parliament:

1. The consequence of this election outcome is sensitivity levels through the roof. Every proposal will be looked at through the prism of an unpredictable constituency, and unless you can sell it in the community, you won't sell it to the Government. Campaigns first, lobbying second;

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2. There aren't four independents, there are 150. It used to be that crossing the floor was a luxury permitted *in extremis* for members with strong views (at least on the Coalition side). Now, every MP will look at the factories, hospitals and call centres in his or her electorate before deciding whether the Party line is sustainable. Depth is the order of the day;
3. Whoever's in Government, the other side is equally important. As a result of heightened sensitivity, as well as the likely requirements of any deal, much more of the Government program will face the Parliament. And given a potentially capricious Senate, most of what passes will be negotiated between the Labor and Liberal Parties. So while lobbying will still start with the Executive, the Opposition are going to be much more powerful players than usual, and may even be a significant originator of legislation;
4. Access will become a less dominant feature of lobbying. Getting through the door will still be important, but for all the reasons above, and because the Greens and independents will inevitably require campaign finance reform, the nexus between corporate and political interests will be substantially eroded; and,
5. Lobbying the Greens and independents requires a different approach. As those who attended APA's lunch with Senator Milne a fortnight ago know, the Greens are becoming more practical and incrementalist in their policies, but they remain passionate and idealistic on their core agenda. For the independents, it's all about the local impact.

New strategies are required here, and it will take a while to see how the numbers line up.

What policy areas will be most prominent?

While this was something of an issues-free campaign, APA sees at least five areas which will be significantly affected by this Parliamentary outcome:

1. Broadband. Some form of centrally-directed national broadband program will go ahead. Labor is already committed to this, and for the Coalition, any deal with regional independents is going to require substantial broadband funding. In any case, this is the area in which the Coalition performed most miserably during the campaign, so they will need to find a new approach, and necessity may be a welcome guide;
2. Carbon pricing. There will be some commitments without which the Greens will simply refuse to play. Some form of carbon pricing, whether through tax or trading will be passed in this Parliament, if it is to have any stability at all;
3. Education. Public education funding is at the forefront of the Greens policy agenda, and may be one of their non-negotiable terms. This will be particularly significant if Labor can reform a Government, though it may find the opposite tension with regional independents;

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4. Energy and infrastructure. Both major Parties will need to focus more intently on renewable energy and sustainable transport. This may have the happy outcome of solving some of the failures of State Governments; and,
5. Immigration. It will be interesting to see whether Labor seeks to continue matching the Coalition's line on this policy, or whether they seek a more middle-ground approach as part of an accommodation with the Greens. A difficult area, particularly with its impact on Labor seats in Western Sydney and Northern Brisbane.

There will be a range of other areas where the new Parliamentary makeup will change the game, but these seem to be at the forefront. We wait with interest to see what's on each of the crossbenchers' lists for support in Government.