

## Political Chronicles

### Commonwealth of Australia

January to June 2006

JOHN WANNA

*The Australian National University and Griffith University*

#### **The Liberal Ascendancy in the Governing Coalition**

With approximately twenty months to go before the next election, the Prime Minister, John Howard, decided it was time to refresh his ministry and give the government a new look. He was facing a constant barrage of speculation about his leadership intentions and, as Australia's second longest-serving prime minister, he was yet to notch up ten years in the office (an anniversary that fell in March 2006 — see “the sweetest anniversary”, *Weekend Australian*, 25-26 February). The reputation of his government was also being damaged against the ever-worsening backdrop of the war in Iraq and the almost daily revelations emerging from the related Iraqi wheat scandal involving AWB Ltd (the former Australian Wheat Board) and a range of other government agencies. So, returning from his annual holidays, Howard took the opportunity to engineer a major ministerial reshuffle — a favoured tactic that was now becoming something of a pattern. To create room for the manoeuvre, Howard engineered three vacancies: Defence Minister, Senator Robert Hill, was retiring to take an ambassadorial post at the United Nations; the Families Minister, Senator Kay Paterson, resigned from the ministry; and Ian Macdonald (Fisheries, Forestry and Conservation Minister) was dropped from the outer ministry with Howard telling him he had no prospects of further promotion and should make way for younger members. In effect, Howard (aged almost sixty-seven) did to Macdonald (aged sixty) what Menzies had done in his day when offloading ministerial colleagues — telling ministers younger than himself that they had had a long enough innings and had no future in the ministry.

However, in a surprise move on the eve of the reshuffle in mid-January, Senator Julian McGauran quit the Nationals and applied to join the Liberals — and was accepted by the Victorian branch despite intense pressure from the Nationals for their Coalition partners to reject his application for membership. While some Nationals described his move as traitorous, McGauran argued that “there is no longer any real distinguishing policy or philosophical difference between the Nationals and Liberal party [...] [and that] the federal Liberal Party is, and will remain, the preferred rural and regional party in Victoria” (*Australian*, 24 January 2006). But from McGauran's behaviour it was clear he had become something of a loose cannon whose political career was going nowhere. His defection appeared an act of temerity but it provided Howard with a further reason to make a more serious ministerial reshuffle. It also heightened speculation his brother (the Agriculture, Fisheries and Forestry Minister

Peter McGauran) would jump ship, but despite facing periodic criticism over his performance he remained with the Nationals. The defection had the effect of poisoning relations between the Coalition parties at the start of the parliamentary year, with colleagues constantly sniping and abusing each other — especially the vulgar “enforcer” Senator Bill Heffernan.

The big winners in the reshuffle were Julie Bishop, who entered the cabinet as the Education, Science and Training Minister, Brendan Nelson promoted to Defence Minister, and Mal Brough promoted into cabinet as the Families, Community Services and Indigenous Affairs Minister (in a machinery of government change Indigenous Affairs was moved from Immigration, and Brough was later to claim that he was probably of indigenous lineage himself making him the first indigenous minister to hold the portfolio). From Queensland, Santo Santoro was appointed Minister for Ageing, while Peter Dutton was promoted to the Minister for Revenue and Assistant Treasurer. Gary Nairn (New South Wales) became the Special Minister of State, Bruce Billson (Victoria) became Veteran’s Affairs Minister and Sharman Stone was appointed Minister for Workforce Participation. Most media attention, however, was directed at two ambitious backbenchers, Malcolm Turnbull and Andrew Robb, who were made parliamentary secretaries respectively to the Prime Minister (water reform) and Immigration Minister (especially for multiculturalism and Islamic integration). Howard argued he had not made these two high-profile MPs ministers directly as they needed “a run in the paddock” as parliamentary secretaries before gaining promotion (*Australian*, 25 January 2006). The main loser, other than those shunted out of the ministry, was De-Anne Kelly who was dropped from the outer ministry and demoted to a parliamentary secretary position (Trade), and replaced by a Liberal. The ministerial representation of the Nationals was thus reduced from five to four positions — with John Howard defending his decision to reduce their positions by arguing that politics “is remorselessly governed by the laws of arithmetic” (*AAP*, 24 January 2006). In retaliation, some prominent National dissidents (such as Fiona Nash, Barnaby Joyce and Bruce Scott) threatened to destabilise the Coalition and reserve their support.

#### **Kickbacks and Cover-ups: AWB Exposed for Bribing Saddam Hussein**

Evidence emerged over the summer of 2005-06 that AWB Ltd and the Australian government had been complicit in arranging a series of large wheat contracts worth over \$2 billion with the Saddam Hussein regime in Iraq under the United Nations “oil-for-food” scheme. The overall price of the wheat was inflated by so-called “transport fees” of up to 10 per cent of the contract price being paid back to a Jordanian “front” company (Alia) with the cash funds going to the Iraqi president. Former Iraqi ministers confirmed not only that illegal payments were made but also that the wheat firms knew the bribes were going to Saddam. In October 2000 the AWB had sought formal permission from the Department of Foreign Affairs and Trade to pay such fees even though they knew they were illegal under the UN’s rules — and the government’s regulator the Wheat Export Authority also knew of the payments. In total, some \$290 million was channelled back to the Iraqi regime in kickback payments. It was also revealed that when the second war on Iraq broke out in March 2003 the Australian government (through AusAID) had bought back two shiploads of wheat sitting in the Persian Gulf (at a costs of \$83 million made up of \$38 million for the wheat and \$45 million in handling costs and distribution). There were further allegations that BHP had lost money in Iraq (\$5 million) as a result of trying to bribe Iraqi officials — but then transferred the “debt” to Tigris Petroleum (an Australian company registered in Gibraltar) who in turn tried to get the AWB to recover the debt.

After the second Iraqi war, the “oil-for-food” scheme had become widely discredited with 3,000 companies allegedly involved in forms of corruption. In the face of Canadian and US complaints over suspected bribes, the UN established an international inquiry in 2004 (headed by Paul Volcker). Volcker found that the Australian company was responsible for 14 per cent of the kickbacks paid to the regime. The issue was particularly acute for the Australian government as the AWB was a government-approved commercial monopoly (single-desk seller) that had close connections to the Coalition government. Although the Australian government denied it knew about the kickback scheme before the Volcker Report (released in October 2005), it soon transpired that various officials had known and had tried to inform senior ministers (who if later emerged had known something about the nature of the “fees” and the Iraqi wheat trade). In fact, senior ministers had sought to limit the information provided to Volcker in 2004 and restrict the cooperation of departmental officials. Ministers also ordered departmental “file reviews” to ascertain what was on record — possibly to cover up or contain the scandal.

To investigate the allegations, and largely at the behest of the international community, John Howard reluctantly agreed to establish a commission of inquiry headed by Terrence Cole QC in October 2005. However, the inquiry was given narrow terms of reference that allowed it only to investigate whether Australian companies mentioned in the UN report had broken any federal or state laws. And, despite criticisms that the government was crippling the concept of ministerial responsibility (*Australian*, 9 February 2006), it did not ask the inquiry to investigate whether the Australian government, ministers or senior officials had done anything illegal or inappropriate. Cole later issued a legal opinion that confirmed he lacked the powers to investigate ministers or DFAT officials or make findings on their behaviour.

Once the Cole Inquiry was under way (from 16 January) a gradual stream of revelations came to light especially from internal documents and emails. Cole and his team attempted to probe who knew what at the public hearings. However, many AWB executives and government officials from the Department of Foreign Affairs denied knowledge, claimed faulty memories or pretended to be deaf. Shortly before he resigned, the AWB’s managing director Andrew Lindberg admitted to the inquiry that he had deceived the UN over the price of wheat contracts — and that “we had to, we had no option” (*Australian*, 19 January 2006). Later, other staff indicated that more was known than was ever acknowledged and that genuine attempts had been made to inform Canberra-based departments and ministers as early as June 2003. Most curiously, DFAT officials claimed they merely acted as a “post box” in Trade matters and did not scrutinise wheat contracts, despite operating a taskforce on trade with Iraq that met on a daily basis.

Documents were eventually unearthed that the Prime Minister had requested information about trade dealings with Iraq as far back as July 2002, and that cables had been sent to Canberra in April 2001 outlining the scam. Three senior ministers, Mark Vaile, Alexander Downer and John Howard, were eventually called before the inquiry in April. In three hours of testimony, Deputy Prime Minister Mark Vaile claimed he had not personally monitored the issue, and laid the blame on Downer who, he said, had responsibility for anything to do with the UN. Alexander Downer for his part claimed he had never been formally informed of the circumstances, and that when he had read cables about “irregularities in AWB contracts” he had not believed them. He also claimed that his department received lots of cables and that it was impossible to read them all. Howard simply told the inquiry with his characteristic formula of words:

“I believe that I did not receive or read any of the relevant cables at any time during the relevant period”.

One by one, all the executives of AWB who had overseen the “oil-for-food” contracts eventually resigned. The Iraq Grains Board suspended all trade dealings with AWB (forcing Trade Minister, Mark Vaile, to make an urgent trip to Baghdad to beg for orders) and the US government and American farmers took action claiming they were misled by the Australians and due compensation for lost market opportunities (lodging a \$1 billion damages claim in June).

Although Cole’s report was initially scheduled for release on 31 March, his multiple requests for extensions meant the report was not delivered until November. Despite many calls for the investigatory terms of reference to be widened, the government steadfastly refused to widen them, arguing that Cole’s powers and inquiry focus were adequate for the job.

### **The War on Terror and Radical Islamists Continues to Mire the Government**

In January the Prime Minister announced that an additional force of 310 SAS troops would be sent to Afghanistan to fight the Taliban insurgency (this took the complement of Australian soldiers in the country to 500). Moreover, he announced in February that the Australian troops guarding Japanese engineers in Iraq would not be brought home when the engineers returned home in May. As Iraq descended into sectarian civil war, the prospects for the withdrawal of troops appeared remote — with some projections claiming it would take up to ten years to complete the mission. Further problems occurred when Australian troops on patrol in June mistakenly shot at an Iraqi minister’s security vehicle, killing one guard and wounding three others.

At home, as the first person was gaoled under terrorism laws (the Muslim convert “Jihad Jack” Thomas), the government continued to identify extremist Islamic leaders as problematic for Australia’s future immigration policy (so-called “jihad Muslims”). Basking in his assumed image of “cultural warrior”, John Howard identified two major problems — regressive attitudes towards women and “raving on about jihad” (*Australian*, 20 February 2006). The government also began stressing the importance of social integration and adherence to basic Australian liberal democratic “values”, including a tougher oath of loyalty at citizenship ceremonies. Some Muslim leaders hit back claiming the government wanted “multiculturalism minus the Muslims” (*Canberra Times*, 25 February 2006).

In March-April an episode of cartoon warfare broke out between Australia and Indonesia. The catalyst that inflamed the dispute occurred after forty-three West Papuans sailed an outrigger canoe to Cape York in Queensland in mid January claiming asylum. Against Indonesia’s objections, forty-two of the refugees were then granted temporary protection visas and allowed to stay. In retaliation, Indonesia withdrew its ambassador. Meanwhile the Indonesian media (*The Rakyat Merdeka*) ran a cartoon of two fornicating dogs (the “humping dingoes”) depicting the Australian Prime Minister mounting Alexander Downer with the by-line saying “I want Papua”. *The Australian*’s Bill Leak responded by drawing the Indonesian president as a randy dog mounting a West Papuan native — with the by-line “don’t take this the wrong way...”. When the “two dogs affair” cooled down, John Howard then attempted to appease the Indonesians by seeking to amend the immigration act to force all refugees arriving by boat on the mainland to be processed in detention at Nauru (as a major discouragement to Papuans), but he was defeated by six outspoken rebels in his own party and had to withdraw the bill.

In another bizarre twist to the Iraqi war, an Australian soldier, Jake Kovco, was killed in his barracks in Baghdad by his own gun, ostensibly while cleaning it. Different versions of what happened, and who was at the scene, popped up in the media over the next week, leading to the Army and Defence Department being accused of a cover-up by the soldier's mother. At the end of the week the Defence Minister was further embarrassed when it was revealed that the wrong body had been flown home to Melbourne from the Kuwait morgue (that of a Bosnian carpenter, Juso Sinanovic). Two inquiries were then called; one to investigate how Private Kovco died and the second to explain how the wrong body was transported from the Middle East. In a further stuff-up, a confidential copy of a report into the Kovco affair was left in an airport business lounge by Defence staff and leaked to the media.

Defence forces were again stretched when troops were invited into East Timor to bring calm to the island, after an outbreak of civil war in the military led to gun battles, looting and arson. The rebellion occurred against the Fretilin government of Prime Minister Mari Alkatiri, with some 600 dissident Timorese soldiers taking to the hills in defiance (many were from the western parts of the island claiming discrimination). The rebellion led to open conflict between President Xanana Gusmao and Alkatiri which would eventually see Foreign Minister Jose Ramos Horta succeed as Prime Minister.

### **Coalition Revolts and Backbench Turbulence**

Opinion poll support for the government returned in early 2006, with the Coalition sitting on 45 per cent primary support compared to 37 per cent for Labor (in two-party terms the Coalition led 52-48 per cent). A majority was satisfied with the Prime Minister's performance (51 per cent) and 56 per cent thought him the better prime minister compared with Kim Beazley on 25 per cent (*Australian*, 17 January 2006). However, by February-March the revelations of the AWB scandal took some of the gloss off Howard and the Coalition. Beazley's support as best prime minister fell to 18 per cent in March — the same as John Howard polled in December 1988 as opposition leader when *The Bulletin* famously asked "why on earth does this man bother?". But by June, Labor's primary support had flat-lined at 38 per cent compared to the Coalition on 44 per cent, which put the Coalition ahead in two-party terms.

As Parliament resumed in February, John Howard and Health Minister Tony Abbott faced an embarrassing defeat on the floor of the House of Representatives over the abortion drug RU486. Speculation arose that John Howard had done a deal in 2005 with Senator Steve Fielding (Family First), gaining his support for voluntary student unionism in exchange for a commitment that the government would retain ministerial discretion over the abortion drug so as to continue to prohibit access (rather than the Therapeutic Goods Administration which would likely grant access). A private members' bill was introduced in late 2005 (largely because the minister Tony Abbott was a Catholic and was refusing to permit the drug), sponsored by four women Senators across party lines (Lyn Allison, Democrats; Fiona Nash, Nationals; Claire Moore, ALP; and Judith Troeth, Liberal). In February, the Senate Community Affairs Committee began hearings into the accessibility of the abortion drug and, with members free to exercise their conscience, Parliament was treated to a succession of personal accounts and experiences. Most Senators appeared moved by their personal values and religious beliefs rather than public policy arguments. The bill was successful in the Senate, passing by 45 to 28. It then went to the House of Representatives where it passed at its third reading "on the voices" and without a division (although a division at the second stage had voted 95 to 50 in favour with one abstention). This was one of the first times when women united across party lines on

issues of importance to the community, but it also led to some heated acrimony between political colleagues.

To compound the government's troubles, some Coalition backbenchers also disagreed with the government's opposition to embryonic stem cell research, calling for further debate and a more relaxed approach to such research.

In an attempt to curtail the Senate's independence, the Coalition reduced the number of committees (from sixteen to eight) and placed them all under Coalition control. The plan was to prevent opposition-chaired committees from investigating "references" too diligently and embarrassing the government. Two moderate sitting Liberal MPs both from Victoria came under preselection threat from former Howard staffers. In Kooyong, Petro Georgiou faced a tough challenge from Joshua Frydenberg, one of Howard's research staff, and in Corangamite Stewart McArthur was challenged by Rod Nockles. Both sitting members survived the bruising contests.

### **Tax Reform, ID Card and Orange-Bellied Parrots**

Given healthy budget surpluses, pressure mounted among backbench members of the Coalition for tax cuts in the May Budget, despite Howard instructing ministers not to feed expectations. The Nationals announced that they favoured lower tax rates for individuals and a top marginal rate of just 35 cents in the dollar, a call welcomed by business peak bodies (*Australian*, 13 January 2006). The Treasurer, Peter Costello, also talked up the prospects of future tax cuts — while still claiming Australia was a low tax nation. He controversially argued the distribution of the GST had become a failure as states received it in an untied lump sum and had not taken spending responsibilities seriously. The push for tax cuts led to some dispute with the Reserve Bank which argued that tax cuts would simply overheat the economy and lead to higher interest rates. Two interest rate increases occurred in short succession (May and August 2006) with the RBA blaming the media for fanning expectations of tax cuts. To take some of the heat out of the issue, the Treasurer set up a quick tax inquiry in his department but headed by two prominent businessmen (Dick Warburton and Peter Hendy) to report on how Australia's tax mix compared with overseas systems in terms of competitiveness. It reported as planned in April (before the budget) showing, in Costello's words, that Australia was a "little over the average". However, the final write-up of the report largely defending the *status quo* was penned by Treasury officials (leading Hendy to complain the recommendations did not fit the analysis). And although Costello suggested a modest cut in the top rate of income tax (at 48.5 cents in the dollar) was possible, Hendy went public arguing a top rate of income tax was far too high by international standards and should be cut to 30 cents in the dollar (see *The Australian*, 13 April 2006).

The government announced it intended to introduce a new ID "smartcard" with photo ID — initially only for welfare recipients but later it appeared as if it would perform as a national identity card to be used for security, health, passports, driving licences and welfare identity. The government kept stressing that the national smartcard would be an "access card" rather than a national identity card (replacing up to seventeen separate cards the government currently issued). But many in the Coalition were critical of the card on privacy grounds, that it would lead to greater surveillance and be invasive. New plans for media deregulation were also announced by the Communications Minister, Senator Helen Coonan, which would allow more concentration and greater access to new technologies by the big players. The media proposals immediately saw complaints from Nationals about the impact on diversity and local content in the bush.

In April the Environment Minister Senator Ian Campbell overrode a controversial \$220 million wind farm venture in Gippsland, Victoria, on the grounds an endangered species of parrot — the orange-bellied parrot — would fly into the rotors and become extinct. He claimed merely to have followed his department's advice — but later it appeared he had selectively chosen his grounds for rejecting the bid possibly because of the opposition to wind farms in rural areas. His decision attracted much ridicule, especially as the project was meant to be environmentally friendly and reduce greenhouse gas emissions. Wind Power, the project initiators, then took legal action and only agreed to drop the proceedings if the minister would reconsider. The whole thing appeared an embarrassing episode for the minister.

### **Still “Off with the Fairies” — the ALP Woes Continue**

Warren Mundine became national president in January 2006, becoming the first Aboriginal head of the party. He quickly indicated that he would be outspoken on issues and intended to seek political office in the near future — probably in the Senate representing New South Wales. True to his word, he announced in March that the electorate generally thought Labor was “off with the fairies” and not to be trusted with government (*Australian*, 9 March 2006). At the same time, Simon Crean, the former federal parliamentary leader (and Leader of the Opposition from November 2001 to November 2003), had to battle his own faction (and former union) to hold on to his preselection, eventually winning on local constituency support. The Crean stoush assumed proportions of greater significance because Senator Steve Conroy was accused of orchestrating the “removals” and Kim Beazley refused to endorse the former leader, leading Crean to make public calls for the leader to show some loyalty and others on the front bench to express their dismay. Another element of many of the power-plays was the strategic use of ethnic minorities to stack branches (Cambodians, Vietnamese and Greeks).

Senior Labor people continued to speak out against the composition and direction of the party. Martin Ferguson expressed the view that Labor was too dominated by one or two union and party officials (“party hacks”) in the major capital cities, who were taking the party “to the margins” (*Australian*, 1 March 2006). His comments were echoed by Julia Gillard who believed that factionalism was out of control, and that Labor under Beazley was non-inclusive and although “trying hard” was led by a loser. Her comments brought a rebuke from one of Beazley's former staffers who accused her of undermining Beazley for the past three years. Kevin Rudd opined that many Labor MPs were lazy and purely ceremonial, spending their time processing ineffective correspondence. Queensland's Premier Peter Beattie was characteristically frank when he described the Victorian AWU power-brokers responsible for much of the factional infighting as “boofheads”. In the end, while Crean hung on to his pre-selection, other factional players were shoe-horned into safe seats — most noticeably Bill Shorten into Maribyrnong after the sitting member Bob Sercombe withdrew from the race blaming sleazy deals for his departure. In all, a total of seven sitting Victorian MPs were challenged by the Shorten gang, and three were eventually deposed. In other states, large numbers of factional-aligned candidates were preselected for winnable seats.

The lack of punch displayed by the ALP again placed pressure on Kim Beazley's leadership, with reports suggesting that he had been given a final chance to improve his performance, or be replaced by either Kevin Rudd or Julia Gillard. Beazley's budget reply speech in May was well received and abated some of the internal criticism.

### **Budget 2006**

The 2006-07 Budget was delivered on 9 May — after months of speculation about tax cuts and spending sprees. Peter Costello's budget cut the top income tax rate to forty-five cents in the dollar — and increased the threshold at which the new rate applied to those earning over \$150,000 per annum (costing \$36.7 billion over four years). Only 160,000 taxpayers would now pay the top tax rate. Predicting a \$10.8 billion surplus by 30 June 2007, the Treasurer gave assistance to lower income families by allowing those earning less than \$40,000 to receive the full Family Tax Benefit part A benefit. He also cut business taxes by an estimated \$3.7 billion over four years. The big winners in the budget were families, singles, business, the self-employed, and retirees. Transport infrastructure received an additional \$2.3 billion mainly for major upgrades of national highways, while \$500 million was earmarked for water conservation in the Murray-Darling basin. And universities and research centres received over \$800 million over four years. A figure of \$18 billion was diverted into the new Future Fund — a fund to meet long-term liabilities, mainly at this point the unfunded superannuation liabilities of federal public servants. The budget also provided some large increases to government departments and an additional 7,000 public servants were to be employed taking their total numbers to 234,076. In reply, the Opposition welcomed the tax cuts but argued it would provide more childcare centres and investment in skills and training for the workforce.

### **Other Issues**

Queensland gained another federal seat at the expense of New South Wales — taking their respective state numbers to twenty-nine and forty-nine. While the federation seat of Gwydir was abolished, the new north Queensland seat was initially to be called Wright after the poet Judith Wright, but when it was pointed out that locals might believe it was named after Keith Wright (the former politician and convicted paedophile) the name was later changed to Flynn (after John Flynn the founder of the Flying Doctor service). In the Senate, two of the four Australian Democrat Senators, Natasha Stott Despoja and Andrew Murray both indicated they would not recontest at the next election. The Parliament decided in April that Parliament House would provide workplace childcare for Senators and MPs — a demand that had long been in the process. The decision led to parliamentarians demanding that other employees of parliament also be entitled to use the services — and to cartoons saying “a childcare centre right here in Parliament — its called the House of Representatives”.

The saga of indigenous violence and child abuse again resurfaced in May when a number of media outlets carried reports of unchecked violence and sexual abuse in communities, with little action taken to stem the abuse. Concerns galvanised both federal and state governments to participate in a summit and for the Northern Territory to conduct its own inquiry into the communities most at-risk.

Finally, when the Australian Capital Territory government introduced legislation to allow a civil union for gay couples (equivalent to marriage), the federal government decided in June to override the initiative. The Commonwealth used its powers under the ACT Self-Government Act which allowed the Governor-General on the advice of the cabinet to disallow any legislation passed by the ACT legislature (see ACT Chronicle — this issue). The issue was not only an iconic one for gay activists but also a question of autonomy for the territory (and in a parliamentary debate ACT Senator Gary Humphries voted against the government, although the government won the overall vote).

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## New South Wales

January to June 2006

SARAH MADDISON

*Politics and International Relations, University of New South Wales*

Fourteen months out from the next election, both major parties were already moving into election mode. However, Premier Morris Iemma and Opposition Leader Peter Debnam were still struggling to really make their mark. Iemma announced another shuffle of ministers among his more troubled portfolios, including replacing Joe Tripodi with Eric Roozendaal in the roads portfolio and installing the controversial Michael Costa as Treasurer (*Sydney Morning Herald*, 17, 18, 20 February 2006). Debnam followed suit with a reshuffle in March, appointing close confidant Chris Hartcher as Shadow Attorney-General to replace the retiring Andrew Tink, promoting Gladys Berejiklian to Community Services and Mental Health and retaining the shadow treasury position for himself (*Sydney Morning Herald*, 14, 21 March 2006). But the New Year also saw the state obsession with law and order take a new twist, the hangover from last year's racial riots at Cronulla beach still fresh in the public mind. The "dog-whistle" politics of race were an unpleasant addition to the summer heat as each leader tried to "out-tough" the other in the race to vilify and stigmatise Sydney's Lebanese community.

### **Race, Crime and Cronulla**

The violence that had marred Sydney's southern beaches in December 2005 became the hot political issue of the New Year. January was notable for the early start to the traditional New South Wales "law 'n' order" auction, a feature of all recent election campaigns. But in 2006 the auction took on a newly racialised edge as the competition for which party was toughest on crime became a contest for who was toughest on "ethnic crime" (*Sydney Morning Herald*, 17 January, 11 February 2006). Debnam was quick off the mark, accusing the Iemma Government of being "soft" on "Middle Eastern revenge attackers" due to "political correctness" and the alleged stacking of ALP branches with people of Middle Eastern descent (*Sydney Morning Herald*, 13, 17 January 2006; *Weekend Australian*, 28-29 January 2006). Debnam allegedly "scored his first political victory" as opposition leader (*Weekend Australian*, 21-22 January 2006) with his claims that the government needed to do more to lock up "Middle Eastern thugs" (*Sydney Morning Herald*, 17, 20 January 2006). On the back foot, Iemma and the Police Commissioner Ken Moroney described the claims as "untrue, outlandish and offensive" (*Weekend Australian*, 28-29 January 2006).

The backdrop to the rhetoric was the ongoing police inquiry into the December violence, under investigation by Strike Force Enoggera. According to some, the inquiry was not producing results quickly enough. The airing of video footage of a revenge attack, which Iemma had initially said did not exist and subsequently claimed did not show the attackers' faces, was damaging for the government. In the wake of the apparent bungle, Moroney sacked the commander of Enoggera while Iemma quadrupled its size to one hundred officers (*Sydney Morning Herald*, 20 January 2006; *Weekend Australian*, 28-29 January 2006). Sydney's Middle Eastern community was also criticised by police for not doing enough to help identify offenders (*Sydney Morning Herald*, 24, 27 January, 10 March 2006). And with fears the violence would

be repeated, Australia Day saw an extra 1,200 police on patrol at “flashpoints” on Sydney beaches (*Sydney Morning Herald*, 26 January 2006). No violence eventuated.

Iemma was criticised by commentators for being “suckered” into using the “same disgraceful rhetoric” as Debnam (*Sydney Morning Herald*, 23 January 2006). Rather than labelling revenge attackers “thugs” like Debnam, Iemma preferred the term “grubs”, claiming: “There’s an element of dirt to the grub” that distinguished it from the thug. Referring to one of the alleged revenge attacks that had been caught on film, Iemma argued:

Have a look at the video [...] they’re grubs, they’re cowards, they’re grubs and we’re going to bring them to justice and it shouldn’t offend anybody of any particular background (*Sydney Morning Herald*, 21 January 2006).

In March the Police Minister, Carl Scully, joined in, accusing “Middle Eastern Australians” of harbouring “grubs who should be in jail” (*Sydney Morning Herald*, 10 March 2006). The Premier went further, renaming Taskforce Gain (which had been dealing with organised crime in south-west Sydney for four years), the Middle Eastern Organised Crime Squad (*Sydney Morning Herald*, 8 April 2006).

Debnam did not escape the war of words unscathed either, his repeated references to “ethnic thugs” and “Middle Eastern crime” apparently causing some “serious qualms” within his own party (*Sydney Morning Herald*, 23 January 2006). Earlier, Police Commissioner Moroney had responded angrily to Debnam’s accusations that he had been directed to “go softly on criminals of Middle Eastern background”, describing the allegation as an “outrageous slur” on his reputation (*Sydney Morning Herald*, 14 January 2006). Director of Public Prosecutions, Nicholas Cowdery, agreed, suggesting that Debnam’s allegations were “contrary to the facts” (*Sydney Morning Herald*, 2 February 2006). But Debnam was not deterred. In the coming months he continued to ramp up the rhetoric, in March describing the streets of south-western Sydney as a “war zone” which needed to be “saturated with police” in order to contain the alleged spate of violent crime in the area (*Sydney Morning Herald*, 31 March 2006).

Meanwhile the Premier continued his slow “drip feed” of law and order policy releases (*Sydney Morning Herald*, 21 March 2006). In March an extra 750 police officers were announced to boost the New South Wales Police to a record 15,206 in time for the 2007 election (*Sun Herald*, 19 March 2006). Just days later the Premier also announced that the government would buy a \$700,000 water cannon even though the Police Commissioner was on record as having said that introducing such a cannon would signal that the authorities had “lost the plot” (*Sydney Morning Herald*, 21 March 2006).

Asked how many more law and order policy announcements would be revealed before the next election the Premier replied “plenty” (*Sydney Morning Herald*, 21 March 2006). April saw new legislation that allows for majority verdicts in criminal trials (*Sydney Morning Herald*, 15 April 2006), and May found police granted a range of new powers (*Sydney Morning Herald*, 22 May 2006). With new figures revealing that the population in New South Wales jails has doubled since 1986 (meaning that about one in 600 adults in the state is now in jail), an election on the horizon is likely to produce an increase in these figures (*Sydney Morning Herald*, 3,4,6 January 2006).

Amid the hyperbole and spin, however, the real work behind the words quietly drew to a close. Strike Force Enoggera began to be wound up in June as police expressed the view that they could do little more to make further arrests. In the final analysis the strike force had arrested ninety-four people, charging them with a total of 249 offences

including riot and affray, assault, malicious wounding and malicious damage. A total of fourteen people have been convicted (*Sydney Morning Herald*, 6, 12 June 2006).

### **Budget 2006**

The first half of 2006 saw a focus on the poor health of the New South Wales economy as the new Treasurer, Michael Costa, prepared to deliver his first budget. In a slowing economy two issues seemed set to cause problems for the state's bottom line: the stand-off between the government and ClubsNSW resulting from the introduction of new poker machine taxes in 2003; and the need to streamline the New South Wales bureaucracy in the struggle to keep the budget in the black.

The first issue was finally resolved in March, after the government signed a deal giving significant concessions to the clubs. ClubsNSW had rejected various offers from the government as negotiations dragged over several months. The final deal saw the ceiling below which poker machine revenues would remain untaxed lifted from \$200,000 a year to \$1 million per year. In all, the government stands to lose around \$400 million in revenue from the compromise arrangements (*Sydney Morning Herald*, 7, 14, 15 February, 6, 27, 28 March 2006).

The second issue arose after the release of the long-awaited audit of the state's finances, which demonstrated a \$400 million dollar gap between government revenue and expenditure each year (*Sydney Morning Herald*, 24 February 2006). In response, the government proposed a cut of 5,000 public servants as a major cost-saving initiative. In an effort to head off union and public criticism, the treasurer vowed that job cuts would come from voluntary redundancies and not from "front line" public sector workers. First in the firing line were the so-called "back office" staff and those on the list of "displaced" public servants who were to be pushed to take redundancies. Further public sector restructuring was also on the agenda (*Sydney Morning Herald*, 2, 6, 22, 23, 24 February 2006).

The backdrop to the state's economic woes was the unresolved dispute between New South Wales and the federal government over the distribution of GST revenue. Although promised a slightly larger share in 2007, New South Wales will still only get back around 80 cents for every dollar spent, or a return of only 28 per cent of the revenue from a contribution of 34 per cent. Despite a new round of complaints, including full-page newspaper advertisements (*Sydney Morning Herald*, 30 March 2006), the Federal Treasurer, Peter Costello, remained unmoved despite an earlier acknowledgment from Reserve Bank Governor Ian Macfarlane that the current formula is "illogical" (*Sydney Morning Herald*, 18 February 2006). In response, Iemma and Costa repeated their determination not to cut state taxes until greater federal compensation was made available to them (*Sydney Morning Herald*, 22, 23 March 2006). Just days later, however, Iemma announced that a deal had been done with the federal treasurer that would see New South Wales eliminate an annual \$1.4 billion in state taxes in return for an extension of budget adjustment payments to June 2009 (*Sydney Morning Herald*, 1 April, 4 May 2006).

Another substantial blow to the state's finances came with the Prime Minister's June announcement that the proposed sale of the Snowy River hydroelectric scheme would not proceed (*Sydney Morning Herald*, 3 June 2006, *Weekend Australian*, 3 June 2006). The controversial plan would have seen New South Wales (the majority shareholder with 58 per cent), Victoria and the Commonwealth sell their shares in Snowy Hydro Ltd by mid-year (*Sydney Morning Herald*, 18 February 2006; *Weekend Australian*, 18 February 2006). However, the negative public response eventually saw the plan abandoned. Premier Iemma faced down a caucus revolt led by MPs in rural marginal

seats (*Sydney Morning Herald*, 1 March 2006) emphasising the need for capital to invest in the state's crumbling infrastructure, but the coming months saw rural anti-sale activism and public comment develop strength and momentum (*Sydney Morning Herald*, 1, 8, 21 April, 24, 29 May; *Weekend Australian*, 27 May 2006). The rising tide of public sentiment eventually forced the Prime Minister's hand, prompting him to "pull the rug" on Iemma, leaving New South Wales around \$1.5 billion poorer just days before the state budget (*Sydney Morning Herald*, 3 June 2006).

The state's poor financial situation was further compounded by the Carr-Egan legacy — a decade of retiring state debt rather than investing in state infrastructure. Recognising that this was both unsustainable and likely to hurt the government at the polls, the 2006 state budget represented a significant change in fiscal direction. Expenditure announcements were released in stages over the preceding weeks, although many items in the 10-year, \$110 billion State Infrastructure Strategy were not in fact new (*Sydney Morning Herald*, 31 May 2006).

In the end the June 6 budget contained few surprises. The "relatively small" (\$696 million) forecast deficit for 2006-07, the first in a decade, was described by the Premier as a "short term consequence of the property market downturn" (*Sydney Morning Herald*, 7 June 2006). Expenditure was directed at key areas of infrastructure including health, transport, education, disability services and police, although there was surprisingly little expenditure for a pre-election budget. Premier Iemma and Treasurer Costa promised a quick return to surplus through their continued plans to rein in public sector spending — after the election of course. However, public response was lukewarm, with one commentator describing the budget as "a fizzer" (*Sydney Morning Herald*, 7 June 2006). The budget slogan, "A NEW Direction for NSW", seemed to be something of a dead end as new figures emphasised the state's poor economic performance in comparison to the other states (*Sydney Morning Herald*, 8 June 2006).

### **Tunnel Trouble Continues**

Amid the law and order rhetoric and the budget woes, the issue that has perhaps most defined NSW politics in recent years — roads and transport — continued to attract attention. Over the first half of 2006 the Cross City Tunnel "fiasco" descended to "farce" (*Sydney Morning Herald*, 6 June 2006) as the Iemma Government tried a range of strategies to extricate themselves from the electorally unpopular mess of road closures and high tolls, opposed at every turn by the tunnel operators CrossCity Motorway (*Sydney Morning Herald*, 3, 10, 23, 24, 25 February, 1, 2, 6, 7, 8 March 2006). The relationship with the tunnel operators was not improved when Iemma was overheard calling CrossCity chief Graham Mulligan a "f---wit" (*Sydney Morning Herald*, 11 February 2006; *Weekend Australian*, 11 February 2006). Eventually talks broke down, with the premier announcing that many surface roads would be re-opened even if the decision breached the terms of the contract (*Sydney Morning Herald*, 5, 6, 7, 8 June 2006). Unsurprisingly, the leaked draft report of the parliamentary inquiry into the Cross City Tunnel suggested changes to the government's use of public-private partnerships (*Weekend Australian*, 21 February 2006).

In the meantime, pressure was increasing on the equally controversial Lane Cove Tunnel with the allegation (denied by the government) that the premier had asked the tunnel operators to delay its opening until after the election, causing considerable embarrassment (*Sydney Morning Herald*, 22 March 2006). The M5 East Tunnel was faring little better, with ongoing public concern over air safety due to high levels of pollution (*Sydney Morning Herald*, 16, 17, 30 March 2006).

Outside the tunnels, Sydney's other transport systems were also under fire, as they have been for much of the last few years (*Sydney Morning Herald*, 18, 19 April, 15, 16, 20, 27 May 2006). Heavy traffic congestion, problems with the ferry service and persistent complaints about the state's rail services were combining to fuel commuters' anger. The new rail timetable had done little to fix on-time running and the reduced number of services was also making for more crowded carriages (*Sydney Morning Herald*, 23 January, 14, 16, 20 February 1, 3, 17, 24 March 2006). Sydney Ferries' run-down fleet saw more than one in five vessels out of service at any time, necessitating the hire of expensive private boats (*Sydney Morning Herald*, 16 February 2006). Despite criticism, the government refused to abandon its policy of not encouraging people to use more public transport, nor would it adopt proposals for a light rail system in the CBD despite congestion on the roads (*Sydney Morning Herald*, 9, 10, 11, 24 January, 20 May 2006). High staff turnover in the state's besieged transport bureaucracy only added to the government's woes (*Sydney Morning Herald*, 21 February 2006).

Environmental concerns also dogged the Iemma government, with some suggesting that Bob Carr's "green legacy" would soon be squandered (*Sydney Morning Herald*, 8 May 2006). There was good news for environmentalists with the dumping of the planned desalination plant in response to public criticism, (*Sydney Morning Herald*, 19 January, 8, 9 February 2006) but the announcement of the Metropolitan Water Strategy fell short in the eyes of many, particularly in relation to the government's "timidity" on water recycling (*Sydney Morning Herald*, 9 February 9, 15, 27 May 2006). A ban on harbour fishing resulting from revelations that Sydney Harbour fishermen and their families had been poisoned by high levels of dioxin in the water did little for the image of either the government or the city (*Sydney Morning Herald*, 25 January, 2, 3 February, 20, 21 April 2006).

The ALP's New South Wales state conference passed almost without incident, preselection issues in Newcastle causing the only stir for the government (*Sydney Morning Herald*, 10, 12 June 2006). Clearly wary of the prospect of a hung parliament in 2007, Iemma began wooing the lower house independents in the event that they hold the post-election balance of power (*Sydney Morning Herald*, 27 March 8 May 2006). One strength in next year's campaign will be the Labor states' High Court battle against the federal government's unpopular industrial relations changes, which began in May (*Sydney Morning Herald*, 3, 5, 6, 13 May 2006; *Weekend Australian*, 6, 13 May 2006) but as the period drew to a close a mere eight months out from the election, the Iemma Government had done little to impress voters.

However, Opposition Leader Peter Debnam had made even less impact than the premier. Beyond his racist hysteria over law and order, Debnam had decided to hold off on important policy announcements until closer to the election (*Sydney Morning Herald*, 13 March 2006). Preselection issues threatened to turn ugly as the Liberal Party's Christian Right looked for ways to consolidate their new dominance in the party, including an attempt to block high profile federal Sex Discrimination Commissioner Pru Goward, from standing in the seat of Epping (*Sydney Morning Herald*, 1 April, 5 May, 15 June 2006). Debnam too sought to engage the state's independents, although not without criticism from his National Party Coalition colleagues (*Weekend Australian*, 8 April 2006.) These internal matters threatened to swamp Debnam's leadership for much of the year.

This was all good news for the government, as voters struggled to differentiate between the two "opaque leaders" (*Weekend Australian*, 18 February 2006). A year out

from the election Premier Iemma retained a slim lead in the polls and in voter recognition (*Sydney Morning Herald*, 25 March 2006); hardly a stellar performance but perhaps enough to see him over the line in 2007.

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## Victoria

January to June 2006

NICK ECONOMOU

*Monash University*

The new year in Victorian politics got off to a slow start ahead of expectations of major disruption as the Commonwealth Games got under way in mid-March. As with any imminent major event, doom-sayers predicted that the Games would be blighted by everything ranging from foul weather to dreadful traffic snarls. As it happened, the event went without a hitch. This would have been both pleasing and a source of relief for Premier Steve Bracks and his Sports Minister Justin Madden, the two public faces of the Victorian government's support of the event. Both Bracks and Madden presented themselves for the opening and closing ceremonies where they were given luke-warm receptions from the crowds (which, it must be said, was much better than being received with hostility). When it came to greeting political leaders, however, it was for the Lord Mayor of Melbourne, Cr John So, for whom the crowds saved their warmest and most enthusiastic support, precipitating media speculation about what message the public was sending to the government. When the Commonwealth Games ended on 26 March amidst a welter of fireworks, and with Australia on top of the medal-winning table, the overarching view was that the Bracks Government's re-election prospects had certainly not been hurt by the event, the rising cult of Cr So notwithstanding.

With the Games out of the way, Victoria's politicians could return to the things that had preoccupied them prior to the summer holiday shut-down. For the Victorian Labor Party, this meant a re-visiting of internecine factional battles over preselections for the Legislative Council and, perhaps more controversially, the fall-out from the decision to dis-endorse a number of sitting federal Victorian Labor MPs to make way for high-flyers such as Bill Shorten from the Australian Workers Union. Of the vanquished sitting MPs one in particular — former federal leader and MP for Hotham, Simon Crean — was to fight a rearguard action in defence of his seat that caught the attention of the national media that, in turn, exposed the role played in the party's factional machine politics by the Bracks Government's Police and Emergency Services Minister, Tim Holding, and Energy Minister (and old factional warhorse) Theo Theophanous (*Age*, 8 March 2006). As will be outlined below, the Crean controversy actually complicated the pre-selection process for the Victorian Upper House that, in turn, threatened to undermine the authority of Bracks in his declared intention of ensuring that sitting ministers would retain their endorsements.

Whatever factional problems Labor experienced in the first half of 2006 paled into insignificance in comparison with the internal affairs of the Liberal Party. As the Christmas holidays began, Opposition Leader Robert Doyle could claim the fact that he was still the leader of a restive party as a major achievement. In early May, the Doyle leadership finally collapsed amidst rumours of persistently poor opinion poll figures and an attempt by some members of the party organisation to have the former leader

and premier, Jeff Kennett, drafted back to replace Doyle — a campaign that appeared to convince the Prime Minister of its viability because John Howard was to join a chorus of commentators to welcome the return of Kennett. As he has done so many times in the past, however, Kennett managed to embarrass Howard and the eventual successor to Doyle with one of his more enigmatic public performances.

### **The Battle for Hotham**

A clutch of very safe federal Labor seats in Victoria were the subject of pre-selection votes in early 2006. Public awareness of the internecine battle for Labor preselection in Corio (based on the provincial city of Geelong), Isaacs (southern metropolitan Melbourne), Scullin (northern suburbs) and Hotham (outer south-eastern Melbourne suburbs) had been heightened by news that the AWU's Bill Shorten had secured his pre-selection for the western suburban seat of Maribyrnong following the decision of incumbent Bob Sercombe to retire. Sercombe was considered by commentators to have jumped from the position before he had been pushed, and his decision to leave the battlefield was not shared by other sitting Labor MPs seeking to protect their parliamentary careers. Of these, former federal leader Simon Crean's struggle to hang on to Hotham received arguably the most attention, partly because of Crean's profile and partly because of the embarrassing position federal leader Kim Beazley found himself in as a result of this latest manifestation of intra-factional brawling within the dominant Right faction in Victorian Labor politics. The state Labor government was drawn in to this, too, for the campaign to replace Crean with National Union of Workers secretary Martin Pakula was being co-ordinated by state Police Minister and factional leader Tim Holding.

Although pre-selections tend to be dominated by the decisions of factional organisers, Crean's campaign to retain his preselection involved old-fashioned door-knocking of party members resident in the Hotham electorate and attending the actual branch pre-selection vote in suburban South Oakleigh to hand out how-to-vote cards to attendees. Looking more like a primary vote of the sort one would expect to see in the United States, the Hotham pre-selection vote appeared to turn on the ability of the candidates to obtain the support of various ethnic sub-factions operating within the Hotham Federal Electoral Area (FEA). The press made much of Crean seeking to lobby members of various Cambodian settler organisations as part of his defence of the seat, and this, too drew attention to the fact that this constituency was usually the preserve of state MLA for Clayton, Hong Lim, who was supposed to have secured the electorate's various South East Asian constituencies on behalf of Pakula. In a nationally covered count of the vote, Crean comfortably won the local branch ballot and Pakula declared his intention to withdraw from the next stage of the process (*Age*, 5 March 2006). Clearly the dominant Right faction in Victoria was in some disarray.

This outcome was to have a major knock-on effect for the Victorian ALP. Smarting from their defeat at the hands of their former factional colleague, leaders of the Victorian Right including Holding and Victorian Labor Senator Steve Conroy set about organising a fall-back position for Pakula. This was achieved via the pre-selection process for the Victorian Legislative Council, but, in re-opening pre-selections for the upper house, factional leaders risked undermining previously made pre-selection agreements. In February Premier Bracks had succeeded in having Labor's National Executive ratify the principle that sitting ministers would be given preference in pre-selections for the winnable first and second positions on the Labor ticket for the Legislative Council (to be elected using the STV proportional system used for the Senate) (*Age*, 27 February 2006).

One of those sitting Labor MPs guaranteed a winnable position was Sang Nguyen whose position owed everything to fact that he is a member of the Right and that he is known to be close politically to Senator Conroy. With Conroy now urgently seeking somewhere to put Pakula, Nguyen's position was now vulnerable, and, indeed, the MLC was eventually dumped to make way for the failed candidate for Hotham (*Age*, 17 March 2006). Also guaranteed preselection were the Premier's chief-of-staff Tim Pallas (who will run for the safe Labor seat of Tarneit), and millionaire businessman Evan Thornley who was preselected for a winnable position on the Labor ticket for Northern Metropolitan region for the Legislative Council. The press sought to attack Holding and Theophanous for their roles in all of the manoeuvring, but as the *Age's* (17 March 2006) state political editor Paul Austin pointed out, these state-based preselections achieved everything the Premier and the factional convenors wanted whilst leaving the morass of ill-will caused by the federal pre-selections for federal opposition leader Kim Beazley to sort out.

### **Goodbye Robert, Hello Ted: the Liberal Leadership Transition**

With its preselection problems behind it and apparently enjoying a successful Commonwealth Games, the Bracks Government was able to point to steadily rising approval rates in the opinion polls. The Liberal opposition's failure to seriously dent the government had blighted Opposition Leader Robert Doyle's second half of 2005, which ended with a dramatic call from the embattled Liberal leader for any leadership aspirants in his party to "put up or shut up". The press construed this to be a challenge to Ted Baillieu to show his hand on his ambitions, but the member for Hawthorn continued to declare his support for the incumbent whilst simultaneously denying leadership ambitions. All was not well with the Liberal opposition, however, and just before the end of the Commonwealth Games, cracks began to appear in the Doyle leadership. In February the member for Doncaster, Victor Perton, announced that he intended to retire from parliament and not contest the next election. Doyle was dealt another blow when deputy party leader and shadow spokesperson on education, Phil Honeywood, announced his intention to retire from state politics as well (*Age*, 25 March 2006). At forty-five Honeywood seemed to be too young to be departing the political scene particularly at a time when the parliamentary Liberal party appeared to be so bereft of talent. Honeywood had once been thought of as a potential party leader, although it was also the case that the deputy leader tended to be apart from the factional divisions affecting the Victorian party. He had also run into some trouble with his colleagues following the publication of his criticism of the Howard government's Voluntary Student Unionism legislation. Honeywood's greatest asset was his loyalty to the leadership, and his announced retirement was construed as a sign that Robert Doyle might be in some trouble.

Doyle managed to hang on to the leadership for another month before surprising the commentary community with an announcement on 4 May that he would be stepping down as party leader and that he would not be contesting his electorate of Malvern at the next state election. Doyle's announcement precipitated a flurry of events in which former Liberal leader and former premier Jeff Kennett played a central role. Commentators suggested that Doyle's position as leader had become untenable following public opinion polls showing that the opposition faced the prospect of suffering another land-slide defeat. Despite it being expected for some time, Doyle's declaration of his intention to resign created an environment of uncertainty about the next leader (even though Ted Baillieu had long been touted as a replacement for Doyle) and into this vacuum stepped none other than Jeff Kennett.



The former premier had never really been out of public view since his election defeat in 1999, and a small group of advocates such as MPs Robin Cooper and Nick Kotsiras had been known to have been advocating Kennett's return as a panacea to the party's lack of public support for its leadership (*Age*, 4 May 2006). Kennett played up the prospect of being drafted in to the leadership by refusing to deny reports he was considering a return to politics and saying only that he wished to discuss the matter with his wife, Felicity. Her views on state politics were already well known and it was hardly surprising when, twenty-four hours after stirring up speculation about his return to politics, Kennett declared he was not in the leadership contest. By then substantial damage had already been done. Prime Minister John Howard, with whom Kennett had had a prickly relationship for many years, declared his support for Kennett as leader, only to be informed the next day that there would be no Kennett leadership (the Prime Minister was reported to be furious with the Victorian Liberals for putting him in such an embarrassing position). The re-emergence of Kennett served to revive stories of the antipathy between the former Premier and the current federal Treasurer, Peter Costello, right at the time that the leadership rivalry with John Howard was gaining renewed momentum. Most damaging of all for the Victorian Liberals, however, was the way the Kennett story obscured the rise of Ted Baillieu as Doyle's replacement. Like Howard, Baillieu had to spend the first few days of his leadership trying to explain away Kennett's spectacular but brief return to the centre of Victorian politics.

Baillieu's leadership of the Victorian Liberal Party thus got off to a rather inauspicious start. In a bid to regain the attention of the debate, the new Liberal leader set about making a number of important changes to policy and to the shadow cabinet. A few weeks after his unopposed election as party leader (with the member for Brighton, Louise Asher, elected as party deputy), Baillieu announced an increase in the size of the shadow cabinet from seventeen to twenty-one — an increase, the press pointed out, that allowed the new leader to incorporate all those Liberal MPs intending to contest the next election a position on the front bench (*Age*, 13 May 2006). Baillieu reinstated Richard Della-Riva (East Yarra province), previously demoted by Doyle amidst allegations of disloyalty to the leader, to the ministry as shadow spokesperson on government waste, and David Davis (the other Legislative Councillor representing East Yarra province) as environment and planning shadow minister. Other new shadow ministers included pro-Kennett man Kotsiras as shadow spokesperson on multiculturalism, David Koch as spokesperson on racing and sport, Wendy Lovell to tourism, Ken Smith (who holds the opposition's very marginal electorate of Bass) to gaming and fisheries, and John Vogels to local government.

The next stage of Baillieu's leadership consolidation involved addressing the opposition's policy approach, and here a definite moderation of the Liberal party's conservatism under Doyle was discernible. Abandonment of Doyle's tolling policy for the Mitcham-to-Frankston tollway was the first modification, with the opposition now concurring with the tolls being proposed by the project operator. Within a couple of days of his shadow ministerial reshuffle Baillieu also committed his party to the decriminalisation of abortion (*Age*, 11 May 2006) and to opposing channel deepening in Port Phillip bay should environmental impact analyses find that the project would cause environmental damage (*Age*, 12 May 2006). The Liberals were to also later announce new education policies based on extensive state intervention particularly with respect to supporting primary education and a new state-based kindergarten system — a major ideological change from the approach taken by Jeff Kennett and his colleagues after 1992 (*Age*, 15 June 2006).

Baillieu has certainly tried to respond to the demands of his parliamentary colleagues to find ways in which the Liberal party might be able to stage a recovery at the next state election. In response, the Labor party sought to disparage the new leader by making reference to the fact that Baillieu is part of a venerable Victorian family whose origins go back to colonial times and which has amassed a fortune in a variety of activities ranging from farming through to brokering on the stock market. The Baillieu name is associated with venerable institutions ranging from the Melbourne Club to the main library at the University of Melbourne. Labor thus described Baillieu as “the toff from Toorak” (a reference to the affluent Yarra-side suburb historically favoured by wealthy families throughout Victoria’s history).

For its trouble Labor received criticism from some political commentators for choosing to use the language of class envy in attacking the new Liberal leader, but things took a particularly nasty turn when the personal diary of a Labor adviser to the premier was found and handed to shadow attorney-general Andrew McIntosh. Handing this on to the press, McIntosh noted that the staffer had been asked to investigate the financial affairs of the Baillieu family, including Baillieu’s young children, as part of a process of compiling a “dirt file” that might later be used against the new leader (*Age*, 16 June 2006). This precipitated a minor scandal that threatened to engulf Premier Bracks until it was revealed that Baillieu had himself participated in a not dissimilar “fishing” exercise against Labor opponents when Baillieu had been State President of the Liberal Party. Meanwhile, the high profile defections from the Liberal party continued with campaign manager Tony Barry announcing his resignation from the party organisation in June (*Age*, 30 June 2006).

### **The Policy Debate**

Many policy decisions made by the Bracks Government in the first half of the year were concluded with the November state election in mind, although some matters — such as the fate of the wind-generation project for Bald Hills in the state’s south Gippsland region, and the failure of the proposed sale of the Victorian government’s share of the Snowy River hydro-electric scheme — were foisted on the state by decisions made in Canberra. On the matter of the Snowy, the Bracks Government could do little. On the matter of Bald Hills, Planning Minister Rob Hulls indicated that Victoria would go to the Federal Court to seek a review of the decision-making process (*Age*, 11 April 2006).

The 2006 budget was the centre-piece of the Bracks Government’s re-election strategy, although the increased commitments to government expenditure on health, education and transport in addition to relief for small business people from escalating land tax liabilities did come at a cost to the budget’s bottom line. Here there was some confusion: according to government documents, the budget will return a \$317 million operating surplus and recurring surpluses for three years after (*Investing for Victorian Families: Budget Overview 2006*, p. 5). The opposition, however, argued that this represented a significant diminution of surpluses run under the previous Kennett government, and that, if the foregoing of the proposed \$600 million supposedly derived from the sale of Victoria’s stake in the Snowy River hydro scheme, now cancelled as a result of a decision made by the federal government not to proceed with privatisation, Victoria would actually be in deficit (*Age*, 30 May 2006).

There were some other odd bits to the budget, including the promise of a \$300 per student payment to parents with children either entering primary school for the first time, or making the transition from primary to secondary schooling. This policy was met with criticism from teacher unions particularly when it was revealed that this

scheme would apply to private schools as well as state schools. Meanwhile, the government was under some pressure in regional and rural affairs where opponents of a proposed toxic waste dump again sought to pressure the government in to reversing its decision to locate this facility towards Mildura. The pressure was also applied to independent MLA for Mildura, Russell Savage, with an anti-toxic dump campaigner, Peter Crisp, indicating his intention to contest the seat as an endorsed Nationals candidate (*Age*, 1 February 2006). The government's sensitivity to the regional and rural lobby, meanwhile, was in evidence in a special pre-budget announcement of a regional infrastructure package worth \$1.2 billion. Critics claimed that this was simply a restatement of previously committed programs designed to curry favour with regional and rural voters (*Age*, 18 May 2006).

In the midst of the Commonwealth Games an indigenous activist group sought to draw attention to indigenous peoples policy by establishing a "smoking ceremony" fire in the Kings Domain (part of the Botanical Gardens precinct on the southern bank of the Yarra River). In amongst other grievances indigenous activists declared the Domain to be a sacred site and demanded that, rather like the eternal flame at the Shrine of Remembrance just over the hill, a permanent fire be allowed to burn to commemorate indigenous suffering in Victoria. The state government preferred to leave this matter to the City of Melbourne and its Mayor, John So. The fire and attendant camp were permitted to stay during the Games and for some weeks after until, on a particularly cold and wet night, MCC officers and police moved to remove protesters and extinguish the fire (*Age*, 11 April 2006).

### **Arrivals and Departures**

As part of its regional infrastructure policy, the Bracks Government announced that it intended to relocate the administrative arm of the Traffic Accident Commission (TAC) from Melbourne to Geelong. This policy was opposed by unions covering the TAC workforce. In the meantime, the Chief Executive Officer of the TAC, Stephen Grant, announced his resignation after over five years in the position although denying that his decision to move on had anything to do with corporation's relocation — a claim unions were quick to dismiss (*Age*, 3 February 2006). Also moving on was Doug Kimberley, the chief executive officer of the troubled Rural Ambulance Service. As the press reported, the service had been under significant pressure over performance matters and over allegations of harassment and bullying of staff. The government has asked the State Services Authority to investigate these claims (*Age*, 7 April 2006).

Also taking his leave from a prominent public position was the Governor of Victoria, John Landy, following his officiating at the Commonwealth Games and upon the completion of his five year term. Replacing Landy as Governor was Professor David de Kretser, who was sworn into the position on 7 April 2006, with the Lieutenant Governor of Victoria, Marilyn Warren in attendance (*Age*, 8 April 2006). Sri Lankan-born Professor de Kretser, who is sixty-six-years-old, was formerly with the medical faculty at Monash University where he worked in biotechnology. The De Kretser appointment was hailed by both the premier and the then-opposition leader (Doyle) as recognition both of Professor de Kretser's qualities and the sub-themes of multiculturalism and research-oriented economic development seen by the state's political leaders as being core themes in modern Victorian society.

### **Overview**

Major political changes occurred in the first half of 2006 due to the close proximity of the next state election and the difficulties the opposition was having in making inroads

on the popularity of the Victorian Labor government and its Premier, Steve Bracks. As he was rushed to the leadership in place of Denis Napthine ahead of the 2002 election on the grounds that something had to be done to avert an electoral disaster, so Doyle felt the need to fall on his sword ahead of the 2006 election lest a not dissimilar electoral disaster occur for the Victorian Liberals. The Liberal Party now has a new opposition leader who has sought to make major changes to his party's policy on a number of contentious issues. It remains to be seen how the electorate responds to this transition.

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## Queensland

January to June 2006

PAUL D. WILLIAMS

*Griffith University*

### Overview

The first half of 2006 will be remembered as the period in which Labor turned around the disastrous fortunes which had haunted it since mid 2005. While health and water continued to plague the government, a robust economy, a sound budget, a tropical cyclone and a conservative own-goal in the form of an ill-conceived plan to merge the Liberal and National parties eased the pressure from Premier Peter Beattie. In the run-up to the next state election, attention would increasingly turn to the (in)competency of the Opposition.

### Health

The legacy of Bundaberg Hospital and the so-called "Dr Death" crisis (see previous Chronicles) of 2005 showed no sign of dissipation. The year began disastrously for public health when it was announced a host of doctors' contracts would expire in mid January. The government — led by Acting Premier Anna Bligh — then pondered such options as offering generous incentives for medicos to remain in the public system, and fast-tracking approval of overseas-trained surgeons. Another option — to train nurses to perform some doctors' tasks — was rebuffed by the Australian Medical Association (*Courier-Mail*, 20 January 2006). Bligh appeared to struggle to hold the government's line, particularly when an incident occurred so tragically ironical it could not have been scripted. As the government talked up regional health, a car crashed just 250 metres from Caboolture Hospital (just north of Brisbane), killing an elderly woman and injuring others. With the hospital unable to accept patients, the injured were ferried to Redcliffe Hospital, forty-five minutes further south. Only then did Bligh concede Caboolture Hospital was "effectively closed", with staff shortages at another twenty hospitals around the state, including Brisbane (*Courier-Mail*, 17 January, 21-22 January 2006). In response, 260 doctors immediately received emergency registration. Premier Beattie thereafter launched into populist overdrive. After breaking ranks with economic rationalists and avowing governments across Australia were "wrong" to downsize hospitals in the 1990s, the Premier launched a ten-point health plan that included coaxing women who had left to have families back into the medical professions (*Courier-Mail*, 23 January 2006). But perhaps Beattie's most cringe-

worthy moment arrived when he, too, sported the yellow lapel ribbon Caboolture community leaders had designed in protest at the government's shortcomings in health. As more news emerged of ever-growing hospital waiting lists, and as the Director of Public Prosecutions determined there was sufficient evidence to prosecute Dr Jayant Patel — the surgeon at the eye of the Bundaberg Hospital storm — on four charges of manslaughter, the Premier confessed he could see “the end of the road” in his career and, moreover, promised to quit by year's end should the health problem remain unsolved (*Sunday Mail*, 5 February 2006). This proved a clever political strategy: it focussed attention back on Beattie's leadership — a key strength for Labor. Yet, within weeks, Beattie appeared to have regained his zest and claimed in early March — most contentiously — that Queensland Health had met three-quarters of its targets and, therefore, had “turned the corner” (*Courier-Mail*, 3 March 2006). Few were convinced.

### **Water**

If health proved the government's Achilles' policy heel in 2005, water policy began to resemble this role from the very beginning of 2006. Amid the continuing drought, dam levels in much of southeast Queensland fell by April to below 30 per cent capacity (*Courier-Mail*, 15-16 April 2006). It was against this backdrop that some major policy juggling occurred. In April, Premier Beattie wrested control of water from local government authorities and passed it to a newly-ordained, three-member Water Commission. In early May, talk turned to new dams, with two hotly contested sites mooted: Traveston Crossing near Gympie and Tilley's Bridge near Beaudesert. Each option provoked protest over the inevitable resumption of homes but, since each was a safe non-Labor seat, the government gambled the hullabaloo would be quarantined. But a Traveston Dam bill before the House turned the matter into a state-wide issue when Labor MP for Noosa, Cate Molloy, threatened on environmental grounds to cross the floor, only later to recant — with her head in her hands — at the last minute. Molloy then assured the public she would support the government, but later gave notice she would present a Private Member's Bill. Embarrassingly for Beattie, Molloy then took her protest to outside Labor's annual State Conference in mid June (after voting as a delegate inside the Conference). The party trod a careful line; not wishing to martyr her with expulsion, Molloy was simply disendorsed. She then promised to stand as an Independent (see next Chronicle). But dams were not enough: the recycling of sewerage was also on the agenda, an option on which Beattie initially appeared open-minded, but one he later relegated to only a worst case “Armageddon” scenario. In either case, electors were most unhappy with the government's water policy, with a TNS poll revealing 47 per cent dissatisfied with Labor's handling of water, compared to just 31 per cent satisfied, and 22 per cent undecided (*Courier-Mail*, 5 June 2006).

### **The Parties' Fortunes**

*Labor:* The government faced other tensions. In late January, the Governor swore in yet another ministry — the fourth in two years and the second in two months. Factional heat emerged when Deputy Premier and Left acolyte, Anna Bligh, took Treasury — normally the preserve of the Right. The move confirmed Bligh — first anointed by the Premier in 2000 — as Beattie's successor. Bligh — already softening her media image — was also seen to be mending fences with Right powerbrokers. In February, Labor stepped to Noosa for a caucus retreat where it was alleged many a marginal back-bencher made known their dissatisfaction with Beattie. The government was further embarrassed when Speaker Tony McGrady closed down Parliament just minutes into the first sitting day of the year. The fracas was prompted when Opposition MP Kev

Lingard (Beaudesert) dissented from the Speaker's ruling. Lingard refused to leave the chamber when ordered, inducing McGrady to shut down proceedings for "grave disorder" (*Courier-Mail*, 16 February 2006). The Assembly reconvened fifteen minutes later, but not before claims of bias. Indeed, the Liberals pointed out that McGrady had issued 148 official warnings against the opposition, compared to just eight against the Government. The government's standing was twice impaired by former Health Minister Gordon Nuttall. In February, Nuttall threatened to sue the Crime and Misconduct Commission (CMC) over its 2005 investigation that found Nuttall had lied to a parliamentary estimates committee hearing (see previous chronicle). Later, in June, Nuttall again made unwelcome headlines when the CMC began investigations into his approval while minister of the development of a hospital site at Sippy Downs on the Sunshine Coast, one that allegedly would have benefited Nuttall's friend (*Courier-Mail*, 21 June 2006). More allegations of ill-doing were levelled when, in mid May, the government amended s.57 of the Queensland Criminal Code which had decreed possible imprisonment for anyone — including MPs — found to have lied to a parliamentary committee. Obviously designed to avoid a repeat of the 2005 Nuttall affair, Attorney-General Linda Lavarch justified the move as not only facilitating free speech but, also, bringing Queensland into line with other states (*Courier-Mail*, 10 May 2006). The opposition described the amendment as "legalized lying". But at least senior echelons of the public service were content: Beattie, in a bid to stem the talent flow out of the public sector, redrew senior pay scales, with six executive bands replacing the previous three. The most senior servants were now entitled to up to \$420,000 per annum (*Courier-Mail*, 10 May 2006).

*The Failed Coalition Merger:* In late May, Nationals leader Lawrence Springborg and Nationals president Bruce Scott secretly planned with Liberal leader Bob Quinn and Liberal president Warwick Parer to merge the two non-Labor bodies into a single conservative party. When it was announced to the great surprise of all as a *fait accompli*, MPs and members were caught off guard. The fact that even the respective party deputies were not consulted meant the idea was always on shaky ground. But unresolved questions as to who would lead the merged entity, its proposed name, the transfer of assets, and federal implications made the idea increasingly untenable. Despite the support of several federal Liberal MPs and conservative business pressure groups, federal Nationals leader Mark Vaile was hotly opposed. Thus, when the Prime Minister vetoed the plan just days later (largely because he did not want to see the Liberal "label" subsumed in Queensland), the idea was dead, with Springborg and Quinn looking most contrite.

*Public Opinion:* Many felt that, in light of the ALP's problems, the Coalition had once again shot itself in the foot and squandered yet another opportunity for electoral traction. This is supported by public opinion data. According to *Newspoll*, Labor continued to flounder between January and March at just 40 per cent primary support, with Liberals slowly increasing to 28 per cent (for a Coalition total of 42 per cent). This translated into a 50-50 split after preferences. But, instead of building on this lead, the failed merger proved an unnecessary distraction. By April-June, Labor had increased its primary support to 41 per cent, with the Coalition declining to 39 per cent. Importantly, after preferences, Labor had regained the lead, 52 per cent to 48 per cent. Beattie's satisfaction ratings enjoyed a similar bounce in April-June, rising from 40 to 46 per cent, with his dissatisfaction rating declining from 47 to 40 per cent ([http://www.newspoll.com.au/cgi-bin/polling/display\\_poll\\_data.pl](http://www.newspoll.com.au/cgi-bin/polling/display_poll_data.pl)). This rise may also have been attributable to Beattie's performance during Cyclone Larry (see below).

### Gaven By-election

Robert Poole, the Labor MP for the marginal Gold Coast seat of Gaven — won and held unexpectedly in the 2001 and 2004 Beattie landslides — had previously faced opprobrium for his long and frequent absences from his electorate. But when it was revealed in February that Poole had, once again, headed for Thailand for knee surgery (itself an apparent vote of no-confidence in Queensland Health), the Premier's patience expired. Beattie then called on the Parliamentary Privileges Committee to examine MPs' leave entitlements, with Poole announcing his resignation the following day (*Courier-Mail*, 1 March 2006). When it was found that another MP and Poole confidante, Don Livingston (Ipswich West), had also been in Thailand without Beattie's knowledge, it appeared the Premier had lost control over caucus members. Amid Poole's claims the ALP was racist towards his Thai wife (a claim rejected by Beattie), the Premier announced a most unwelcome by-election on 1 April. The irony of April Fools' Day was not lost on a Premier who later predicted a likely bloodbath for Labor (*Courier-Mail*, 17 March 2006). At the campaign's outset — with the Nationals campaigning almost solely on health — this prognosis seemed accurate. Indeed, this was a "must-win" seat for the Coalition, with Springborg visiting the seat four times in five days, but with Beattie initially avoiding the district. Remarkably, no doubt buoyed by improving internal opinion polls, the Premier's attitude became more positive mid-campaign, with Beattie visiting the seat. Indeed, his "meet-and greet" allowed Beattie to revert to his populist best in dealing with the *Save Our Spit Alliance*, a group pitted against Labor's plan to develop The Spit for a cruise ship terminal. When ambushed by the angry group, Beattie — with television cameras rolling — scored points by inviting the protestors to sit down for talks over coffee.

**Table One: Primary vote, by party, Gaven by-election, 1 April, 2006.**

Candidate	Party	Vote %*
Glen RYMAN	Green	7.86
Daren RILEY	Independent	7.65
Alex DOUGLAS	Nationals	42.51
Phil CONNOLLY	Independent	2.64
Steve MIR	One Nation	2.59
Phil GRAY	Labor	36.74

\* N.B. Totals do not add to 100 per cent due to rounding.

Source: Electoral Commission of Queensland 2006.

<<http://www.ecq.gov.au/elections/state/gaven06/results/district30.html>>

Despite Labor securing Green preferences, the Nationals' Alex Douglas, a local GP, won the seat with 53.35 per cent of the two-party preferred vote (2PPV), representing a 2PPV swing of 8.31 per cent over 2004. Other developments were also noteworthy. Firstly, the participation rate was low, with just 83.35 per cent of enrolled voters turning out (and with another 3.56 per cent informal). Secondly, despite the obvious salience of environmental issues, the Greens actually suffered a small swing away of -0.33 per cent. Thirdly, the Nationals' relatively narrow win, despite Labor's problems, undoubtedly gave succour to Beattie that all was not lost and, moreover, suggested the Liberals were wrong not to have provided the Coalition candidate. But the Liberals had

deliberately sacrificed this opportunity to avoid three-corner contests, a move that prompted one Liberal official to resign.

### **Economy**

Unemployment targets remained on track for the government, starting the period at 5.1 per cent and by June falling to 4.5 per cent, or half of one point lower than the national average (ABS 2006. <http://www.abs.gov.au/ausstats/abs%40.nsf/mf/6202.0>). Inflation provided less cheer, with a 1.8 per cent increase in Brisbane in the March-June quarter alone to produce an annual rate of 4.1 per cent, or slightly higher than the national average (ABS 2006. <http://www.abs.gov.au/ausstats/abs%40.nsf/mf/6401.0>). Yet, surprisingly, house prices appeared their most affordable in three years, with the median cost easing by 2.2 per cent (*Courier-Mail*, 13 January 2006). Mining was also on decision-makers' minds. In March, the Premier vehemently opposed any change to Labor's uranium policy — partly from ideology, partly to protect the state's coal industry. But other Labor MPs disagreed and, by April, Beattie, supported by the AWU, had reversed his opposition and ordered an inquiry into the issue. Left-wing unions were unimpressed, as were the Greens who threatened to preference against pro-uranium Labor candidates (*Courier-Mail*, 15-16 April 2006). Earlier, Co-Coordinator-General Ross Rolfe had "fast-tracked" approval for a water pipeline to the Bowen basin coalfields in a bid to save 1,500 jobs and \$1.2 billion in exports (*Courier-Mail*, 3 February 2006). But the minerals boom had also cost the state, with Queensland receiving \$174 million less this year from the Commonwealth Grants Commission (*Courier-Mail*, 2 March 2006). This was bad news as another Queensland export, sugar, appeared in trouble with the identification of "smut" disease on at least three cane properties. But the big economic news came in April when the government officially confirmed what many already knew — that the retail arms of electricity providers *Energex* and *Ergon* would be sold in the first sale of a Queensland major public asset since the *TAB* in 1999. Promised for a trade sale and not a public float, the deal should realise \$1 billion: money earmarked for a Queensland "Future Growth" fund to finance future infrastructure needs. Labor's Left faction and affiliated trade unions, of course, were unhappy, but, in a major win for the Left, Deputy Premier Anna Bligh convinced cabinet to leave the generation, transmission and local distribution networks in public hands.

### **Budget**

Treasurer Bligh delivered her first, and the government's ninth, budget amid little fanfare on Queensland Day, 6 June. The most noteworthy element of this rather sober document was the government's plan to borrow \$17 billion over four years to finance infrastructure, especially in health, water and education. When criticised for such a bold move, Beattie replied the amount was "chicken feed" considering it was a "building budget" (*Courier-Mail*, 7 June 2006). From a 2005-06 surplus of \$2.85 billion, this budget forecast a record \$29 billion in revenue and \$28.8 billion in outlays, yielding a much smaller 2006-07 operational surplus of just \$245 million. Despite showing some concern over this diminished figure, *Standard and Poors* reaffirmed the state's AAA credit rating, undoubtedly because growth was forecast at 4.25 per cent, with unemployment predicted to hover around 5 per cent. More than \$10 billion was secured for capital works, including \$1 billion for schools. Health was allocated \$6.65 billion — or almost a quarter of all outlays — perhaps not surprisingly, given the political damage a failing health infrastructure had caused the Beattie Government over the previous twelve months. Despite these expenditures, health and education groups



remained critical. Small business, however, did show rare support when it applauded the increase in the payroll tax threshold from \$850,000 to \$1million total salaries. In his Right of Reply speech, Opposition Leader Lawrence Springborg criticised Labor for failing traditional Labor concerns, while warning that each Queenslander would pay \$275 more tax annually to pay for Labor's borrowing (*Courier-Mail*, 9 June 2006).

### **Cyclone Larry**

On 20 March, category five tropical cyclone Larry — with 300 km/h winds — ripped through Innisfail and surrounding North Queensland districts. Destroying much of the town and a host of banana plantations, the cyclone necessitated a giant relief effort. But, as tragic as it was for locals, the storm appeared to mark a turning point in Labor's fortunes. Firstly, Larry blew the health saga off the front pages for several days. Secondly, it allowed Beattie to return to his populist strengths in overseeing a crisis not of his own making. Invaluable photo-opportunities were also to be had: Beattie with Prime Minister John Howard, each in akubra hats and pushing brooms; and Beattie addressing worried townsfolk from hotel verandas, promising millions of dollars in relief. In short, the storm proved to be the perfect circuit-breaker for Beattie. But the Premier still found trouble. In one television interview, Beattie defended criticism he had acted too slowly to assist Larry's victims. When the Premier responded, "Unless you're Jesus Christ Himself you would not have been able to resolve this problem quicker than we did", some felt Beattie had compared himself to the Saviour (*Sunday Mail*, 26 March 2006).

### **Labor Icon**

Early in 2006 it was discovered that Labor's principal icon, the Tree of Knowledge at Barcaldine in western Queensland — the legendary birthplace of the Australian Labor Party in 1891 following the failed shearers' and maritime workers' strikes — had been deliberately poisoned in what many described as an act of historical and environmental vandalism. With its death imminent, grafts were taken from the 160 year old ghost gum with the hope of sustaining the living legend.

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## Western Australia

January to June 2006

### HARRY C. J. PHILLIPS

*Parliamentary Fellow, Western Australian Parliament; Adjunct Professor, Edith Cowan University, Curtin University of Technology*

### LIZ KERR

*Principal Research Officer, Legislative Assembly, Western Australian Parliament*

The first six months of 2006 witnessed significant changes regarding the occupants of high public office in Western Australia. On 16 January, Premier Geoff Gallop "dropped a bombshell" when he announced his resignation and immediate departure from Parliament. Two days after Gallop's resignation, Ken Michael was sworn in as the thirtieth Governor of Western Australia. Alan Carpenter was quickly installed as the new Labor premier, whilst the Liberal Party also changed its leader early in 2006.

Wayne Martin, one of the State's senior QCs, was appointed on 4 April to replace David Malcolm as the Chief Justice of Western Australia. The new Carpenter Government faced a major policy crisis with the implementation of the so-called Outcomes Based Education (OBE), and at the same time the Liberal Party was wracked by internal dissension, particularly over Labor's revived contemplation of public election funding of political parties. At the end of June 2006, with continued good economic indices in growth and employment, "Newspoll" indicated virtually no change in party voting intention from the percentages recorded in the February 2005 State election.

### **Premier and Opposition Leader Changes**

Premier Geoff Gallop's admission that he was suffering from clinical depression was received with surprise and a measure of sadness. Gallop, just one month short of his five-year anniversary as premier, had maintained high poll satisfaction and preferred premier ratings, was given high trust readings and was broadly credited with a sound methodology and consensus in the formulation of policy. Although banning the logging of old growth forests and winning legislative passage of "one vote, one value" for the Legislative Assembly were assessed as highlights, some critics dubbed him "good news Geoff" as he made a habit of announcing the vast majority of the government's initiatives. Upon accession to office the efficiency of the public service was a high priority but after five years there were assertions that Gallop had lost some appetite for reform. Within a few months of his resignation, the former premier had accepted a university appointment in Sydney. Ultimately, as a man of sharp intellect, Geoff Gallop will be remembered for rebuilding the Western Australian Labor Party from the electoral ashes of the so called "WA Inc" era.

After some speculation as to who had prospects of replacing Gallop, it soon emerged that Alan "Carps" Carpenter would be the unanimous choice of the Labor caucus. Carpenter (forty-nine), a former ABC journalist, was considered the most capable of holding the electoral advantage that Gallop had established and although electors were warned to "get ready for a more instinctive Premier", most key cabinet posts were retained. The Labor caucus also had to replace Judy Edwards who, citing family reasons, had resigned as Environment Minister on 17 January with the intention of remaining in Parliament. Premier Carpenter's "honeymoon" phase did not last for long as the reshuffle of the seventeen-member cabinet was soon beset by problems. Firstly, long-serving MLA Norm Marlborough, who had won the Small Business portfolio, was reported as describing former Premier Brian Burke as "a genius", requiring Carpenter to deny that Burke was going to be able to exercise greater political influence than had been possible under Gallop. Carpenter soon faced a second media assault, with opposition demands for the "sacking" of Police and Emergency Services Minister John D'Orazio. D'Orazio, also the Minister for Justice, had been engulfed in three scandals in as many months. Early in the year it had been publicised that the former pharmacist and Mayor of the City of Bayswater, had failed to pay superannuation to some staff at his pharmacy. This was revealed days after the *West Australian* reported that D'Orazio was the figure referred to as the "Godfather" at a Corruption and Crime Commission (CCC) hearing in 2005 that focused on local government elections and dealings. Premier Carpenter initially demoted D'Orazio to the "junior" portfolios of Disability Services, Citizenship and Multicultural Affairs and was criticised for the implied low priority given to these portfolios. Then, in early May, it was disclosed that D'Orazio had allegedly unwittingly lost his driver's license for an unpaid fine and was subsequently involved in a traffic accident. Carpenter, who had

once described D'Orazio as "a rising star", accepted his offer to resign, allowing Parliamentary Secretary and long-time hopeful Tony McRae to fill the cabinet vacancy. The subsequent cabinet reshuffle meant the government was being given a new complexion with David Templeman, another ministerial newcomer, allocated the Community Development portfolio. John Bowler relinquished Local Government to MLC John Ford, and took on the significant Industrial Relations portfolio and was to assist the Premier in State Development. As Premier, Carpenter retained the Public Sector Management and Federal Affairs portfolios while Mark McGowan became the Minister for the Environment, also retaining the Racing and Gaming portfolio. At the same time Francis (Fran) Logan became the Minister for Energy along with the revamped portfolio of Science and Innovation.

The Opposition Liberal Party faced major problems in the first half of the year which followed a "nightmare" finish to 2005 when young leader Matt Birney was found in "contempt of Parliament". When the Legislative Assembly resumed sitting on 7 March 2006, Birney's unreserved apology took the issue off the agenda. However, an attempt to reshape the shadow cabinet in early February helped foster discontent in the party, resulting in a leadership change. The catalyst for a challenge to Birney's leadership stemmed from his decision in mid-February to "sack" Sue Walker as the Opposition Attorney-General after she publicly questioned her leader's *modus operandi* and untested policies. On 24 March former Court Government Minister Paul Omodei, who had in 2005 relinquished the deputy leadership amidst a cloud of controversy, narrowly defeated the incumbent in a divisive party room ballot (at 18:15, with the spill motion only 17:16) while Troy Buswell retained the deputy post. Buswell's role in the affair was contentious as his apparent support for Omodei contradicted an earlier indication that he would back Birney. The latter then declined a position in Omodei's shadow cabinet and initially refused to guarantee his tenure as the Member for Kalgoorlie. After a brief absence from parliament during which time he married, Birney gave an ABC Stateline interview on 23 June and, rather than smoothing the troubled party waters, voiced a desire to regain the party leadership and was critical of former leader Colin Barnett. The latter had been given the role of Manager of Opposition Business in the Legislative Assembly in the new Shadow Cabinet which Omodei had announced on 8 April. Sue Walker was immediately reinstated as Shadow Attorney-General and Peter Collier MLC and Steve Thomas MLA were two first term parliamentarians given key shadow spokesperson roles in Education and the Environment respectively.

Although there were signs of an improved parliamentary performance, the Liberal Party publicly divided after Electoral Affairs Minister Jim McGinty indicated the government was considering the re-introduction of legislation to provide for public funding of elections, with the intent that if a party gained 4 per cent of the valid vote it would be entitled to funding at the rate of some \$1.40 per primary vote. The expectation of fierce editorial opposition from the *West Australian* newspaper led McGinty to declare he would only press ahead with the proposal if the Liberal Party was prepared to reverse its position of the previous parliament with an indication of support. Troy Buswell, as Liberal Party Electoral Affairs spokesman, was guardedly supportive in the knowledge that his party needed public funding to help ease debt problems. Moreover, the National Party was also prepared to endorse public funding as were the Greens (WA) who were seeking a Democracy Trust Fund to which a body or person may donate and from which money is distributed to political parties on the basis of electoral success. Liberal Party unrest was soon apparent despite a ballot ratifying

the public funding quest, which resulted in former deputy leader, Dan Sullivan's resignation from the shadow cabinet. Sullivan indicated he would vote against the legislation and demanded a second party vote on public funding after it had been revealed Minister McGinty was also considering changes to the rules about party status and resources for the main opposition party. A second party vote approved the support for public funding after Omodei, in a drastic bid to end internal feuding on the issue, was reported to have contemplated punitive measures to gag rebel MPs.

### **Parliament**

The resignation of Geoff Gallop necessitated a by-election for the seat of Victoria Park, held on 11 March 2006. Factionally unaligned Ben Wyatt (thirty-one), a lawyer, held the seat for the Labor Party with 49.38 per cent of the first preference vote. Both major parties attempted to place the best interpretation on the 5 per cent two party-preferred swing to the Liberals, who were represented by Bruce Stevenson, a former Deputy Mayor of the Town of Victoria Park. Despite an innovative campaign by the Western Australian Electoral Commission, electoral turnout dropped to 64 per cent with a 3.74 informal vote arising from a field of eleven candidates.

Parliamentary history was made in March 2006 when Mia Betjeman (thirty-nine) became the first woman to be appointed to the position of Clerk of the Legislative Council. As a lawyer with more than eight years of parliamentary experience, it was expected Betjeman could "make a difference" in the role which included the prestigious title of "Clerk of Parliaments". The appointment followed the August 2004 resignation of former Clerk, Laurie Marquet, who was investigated by the CCC and subsequently charged with stealing \$227,000 from a Legislative Council account. Marquet, who was never well enough to appear in court, died in April 2006.

Parliament's Standing Committees remained active in the first half of 2006. In the Legislative Council the Environment and Public Affairs Committee continued its review of all petitions tabled before the House, and the Standing Committee on Estimates and Financial Operations began a new procedure for scrutinising the annual budget. The Legislation Committee reported on the Taxi Amendment Bill 2005 and the Public Administration Committee continued its inquiry into Management of Deliberate Self Harm in Young People. The Uniform Legislation and Statutes Review Committee maintained a prolific workload, reporting on five bills referred to it through its intergovernmental agreement term of reference. The Joint Standing Committee on Delegated Legislation tabled two reports, while a new Select Committee on Public Obstetric Services was formed in May. In the Legislative Assembly the Community Development and Justice Standing Committee continued its inquiry into emergency services legislation and the Education and Health Standing Committee completed an inquiry into Outcomes Based Education (see below) and a review of the government's swimming pools program in remote communities. The Public Accounts Committee concluded a review of the Financial Management and Auditor General Bills, which aimed to replace the *Financial Administration and Audit Act 1985*. After considerable media attention, the Economics and Industry Standing Committee tabled its report on the production and marketing of foodstuffs, while the Joint Standing Committee on the Corruption and Crime Commission maintained a steady output of reports on its meetings with the Parliamentary Inspector and its consideration of amendments to the CCC Act.

## Budget

Treasurer Eric Ripper delivered a record surplus of nearly \$2 billion in his sixth budget on 11 May, just two days after the federal budget in which Treasurer Peter Costello had announced “across the board” tax cuts. The decision to use \$1.3 billion of the surplus to repay debt on the controversial Perth to Mandurah rail project meant that little impact was made on the State’s net debt. Only limited tax relief was provided, with the abolition of some “nuisance taxes”, the maintenance of which Costello had previously criticised. Ripper’s defence for his stance was the ongoing taxation review, established in the 2005/06 Budget, with Jonathon Ilbery as chair. Overall, household fees and charges were said to be up by around \$32 a year with a freeze on electricity prices. Economic growth for the 2006/07 financial year was predicted to be at 5.25 per cent with concern predictably expressed by the Chamber of Commerce and Industry (CCI) about the scale of capital spending on programs such as the proposed desalination plant, health, education, law and order, road works and port facilities. Another “cloud on the horizon” was a forecast that the state’s share of Commonwealth GST grants would fall by \$668 million due to its high revenues from the mining and property booms.

## Education

Despite an acknowledgement of the shortcomings of the existing Tertiary Entrance Examination (TEE) the implementation of OBE in Years 11 and 12 courses of study sparked a media frenzy and community division, culminating in a protest rally of concerned teachers on 14 June 2006. The absence of a defined syllabus for public examination and confusion over how results would be graded was at the heart of the issue.

The Education and Health Standing Committee, which was investigating the feasibility of OBE, tabled its final report on 29 June in the Legislative Assembly, with Chairman Tom Stephens claiming that “pure” OBE was dead, and was more accurately defined under the banner of “outcomes and standards education”. The Labor majority members of the Committee were accused of informally briefing Premier Carpenter and Education Minister Ravlich about the direction of the Committee’s findings, while Stephens complained of a possible breach of privilege when the *West Australian* correctly forecast the existence of a minority report. Speaking to the Minority Report, Elizabeth Constable indicated that the April 2006 deadline for the availability of Curriculum Council resources set by the Committee in its 2005 Interim Report had not been met. Moreover, changes announced by the Curriculum Council in May, followed by further changes after meetings between the Premier, Minister for Education and various stakeholders, had been significant. The Majority Report recommended “the current timetable for implementation of new courses of study for years 11 and 12 should continue”, a stance that could not be endorsed by the non-Labor members of the Committee. The government eventually, and with some reluctance, announced modifications to the original implementation schedule in an effort to quell resistance.

## Local Government and Stadiums

In mid-March the Local Government Advisory Board released its reform report “Ensuring the Future Sustainability of Communities”. With its requirement for public consultation, the host of recommendations stirred debate and the suggested amalgamations of several western suburbs local government bodies and many other cities and towns across the state provoked keen interest. Other recommendations encompassed electoral changes, the Western Australian Salaries and Allowances

Tribunal being given responsibility to establish fees and allowances for elected members, and mandatory ten-year financial plans to be annually updated.

In June the Government received an Interim Report from the Stadium Taskforce, headed from May 2005 by CCI Chief Executive John Langoulant. Public debate followed the indication that four options were being considered for an Australian Rules Football stadium, including the expansion of the existing Subiaco Oval, and three “greenfield” sites, Mueller Park in Subiaco, the old East Perth power station site and a new venue in the city’s south-west corridor at Cockburn. On a sad note, in June John Roberts, founder of building giant Multiplex, died just as his company was attempting to emerge from a contractual crisis over the building of the new Wembley Stadium in London, England.

### **Justice and Police and the Law**

After fourteen years as Chief Justice, David Malcolm retired in February for a career in academia. His successor, high-profile QC Wayne Martin vowed to reform aspects of the state’s court system. Less than two months earlier Martin had, as President of the Law Society of Western Australia, controversially instigated a gag on barristers speaking to the media. As Chief Justice, though, he was soon forced to defend the state’s criminal justice system after a series of high profile reversals of criminal convictions. The names Button, Beamish, Mallard, Mickelberg and Christie, had become synonymous with alleged miscarriages of justice, to which may be added the names Fazzari, Martinez and Pereiras, convicted in May of the 1998 murder of Philip Walsham, and who continued to proclaim their innocence.

Andrew Mallard had been released in February after serving twelve years for the murder of Mosman Park jeweller Pamela Lawrence. Following a sustained series of appeals, the High Court overturned Mallard’s conviction and the State’s Director of Public Prosecutions (DPP) Robert Cock decided against a retrial. Soon after Mallard’s release, Police Commissioner Karl O’Callaghan announced the suspension of five senior officers who were involved in the case, pending the outcome of a CCC inquiry.

### **Industrial Relations / Federalism**

In terms of industrial relations, the first half of 2006 could be remembered for the federal government’s push to implement its controversial industrial relations laws passed in the previous year. The booming Western Australian resource sector was the focal point of much of the concern over Australian Workplace Agreements (AWAs) with the Australian Mines and Metals Association arguing that Federal Labor’s pledge to abolish the agreements would cost the mining industry \$4 billion a year. In June, as part of a concerted union effort, Unions WA called for the state government not to award publicly funded contracts to companies that operate under AWAs with Employment Protection Minister John Bowler appearing to “hedge his bets” on the issue. Premier Alan Carpenter was stronger in his support for abolishing AWAs, expressing concern for vulnerable sections of the workforce.

During the period under review Resources Minister, John Bowler, announced that in the public interest, the application by Cazaly Resources for an exploration license on the Shovelana leases in the Pilbara region (formerly held by Rio Tinto) should be terminated. Less than a week later on 27 April, in the light of much media and public criticism, Bowler was forced to give reasons for his decision although this was not required under legislation. Premier Carpenter strongly defended his Minister but soon found himself on the defensive within ALP circles for his stance to uphold the government policy of “no uranium mining” in Western Australia. With Federal ALP

leader Kim Beazley signalling a change to the ALP “three mines policy” the matter was likely to be keenly debated at the party’s National Party Conference in April 2007. Other matters such as nuclear power and waste storage were also likely to be considered.

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## **South Australia January to June 2006**

HAYDON MANNING

*Political and International Studies, Flinders University*

The state election and its outcome dominated the first half of the period which saw the Rann Government win a decisive electoral victory. A decade of minority governments in South Australia ceased with the Liberal Party suffering its worst electoral defeat, returning a meagre fifteen members to the forty-seven-member House of Assembly. The Liberal Party faced considerable “soul searching” post-election and boldly presented a new leadership “team” which the party claimed would unite the historic warring factions. With its dominance affirmed, the Rann Government nevertheless quickly found itself exposed over transport budget blowouts courtesy of a number of departmental leaks. Premier Rann furthered his “experiment” with the quasi-presidential appointment of Monsignor Cappo to the \$100,000 post of Commissioner for Social Inclusion a decision that raised, not surprisingly, questions over how church and state might relate.

### **The Campaign**

A lack of cash, and arguably conviction, made the Liberals’ 2006 campaign one they will want to forget. In contrast, Labor’s campaign stood out as a hallmark of modern campaigning, with the focus on “President Rann” and his first-term government’s achievements. The early part of 2006 was a good time for incumbent governments to face the electorate due to strong national economic growth, record low unemployment and strong consumer and business confidence. Against this backdrop, Opposition Leader, Rob Kerin, with his rather casual leadership style, struggled, and when Labor launched a series of ruthless negative advertisements attacking his leadership qualities the scene was set for an ominously large electoral defeat.

Hoping to gain early campaign momentum, Kerin launched a critique of the Rann Government’s economic performance in early February, some six weeks before polling day. Comparing the state’s relative position against other states, he argued that economic and employment growth, coupled with business investment, were declining, whereas four years earlier, “under the former Liberal Government, SA led the nation in several key economic indicators. Now we trail in many of them” (*The Advertiser*, 8 February 2006). He also tried to convey the message that voters were being “conned” by the government’s “endless spin” (*The Advertiser*, 7 February 2006). For a brief moment it appeared that *The Advertiser* would join with Kerin in his campaign against the government with editorials and front-page headlines questioning the government’s lack of ideas and vision (*The Advertiser*, 13 and 21 February). With the election set for 18 March, campaigning commenced officially with the issue of the Writs on 20

February and Labor quickly turned the tide of negativity that Kerin had managed to generate.

Premier Rann is one of the nation's most experienced campaigners and clearly the government's chief electoral asset. Posters appeared across Adelaide's suburbs and state regional centres depicting an earnest and business-like premier with the slogan "Rann Gets Results". Campaign advertisements showed the premier merging with all recent good news and big projects announcements such as the warships contract, the expansion of mining at Olympic Dam and rapidly expanding employment opportunities. These were presented alongside subliminal views of newspaper headlines reminding viewers of Labor's populist triumphs on law and order themes, in particular the Nemer case (see earlier chronicle, *Australian Journal of Politics and History*, Vol. 50, 2 (2004)) and the government's campaign to stop the Commonwealth's plan for a low-level nuclear waste dump. In contrast to the positive gloss given to the Premier, Deputy Premier Kevin Foley and senior minister Pat Conlon assumed attack-dog roles, with Conlon even trying to raise the old bogey of power privatisation to berate the Liberals. The campaign launch in the suburban Norwood town hall conjured images of a US political convention, with four-metre-high photos of the Premier, a scene described by *The Advertiser's* chief political reporter, Greg Kelton, as "Slick and glossy — as stage managed as the Oscars" (*The Advertiser*, 13 March 2006). Rann stressed Labor's plans to rebuild hospitals, in particular the Flinders Medical Centre, which serves Adelaide's southern suburbs and a clutch of marginal seats, and lambasted the Liberals who he asserted would privatise state assets and cut the number of public servants (*The Australian*, 13 March 2006).

With the exception of a proposal to cut the public sector by 4,000 jobs, the Liberal campaign struggled to find meaningful policy differentiation from Rann's centre-right coalition government. This policy was pitched, one suspects, at shoring up the Liberal heartland vote but, in relatively good economic times, it appeared uncaring and Labor was quick to characterise it as extreme. More damaging for the Liberals was the response of the public sector union, the Public Service Association, which spent \$250,000 on a television campaign attacking the plan.

The Liberals' public campaign launch, on the same day as Labor, could not have been in starker contrast. It was an old-fashioned affair with lots of banner-waving candidates and little else by way of props, physical or electronic. Kerin battled on but was arguably upstaged by Foreign Minister, Alexander Downer, who warmed the party faithful with mocking humour directed at the Rann Government. Kerin highlighted how the Rann Government benefited from major projects financed by the Howard Government and hammered out his themes that the state's economy should be doing better, the health system was a mess and honesty in government would be one of his priorities (*The Advertiser* and *The Australian*, 13 March 2006). Promises to cut land tax, spend an additional \$80 million on concessions to the elderly and find \$8 million to help food producers, and a rejection of Labor's plans for improving suburban north-south traffic flow, were less than impressive as vote winners. Instead of Labor's proposed traffic underpasses, Kerin said he favoured a plan akin to a freeway project first put forward in the late 1960s, but this opened an avenue for the government to suggest that this implied future road tolls. A positive quickly became a negative message when countered by Labor's superior campaigning, while the Liberals allowed themselves to be tarnished easily by apparently favouring "privatisation".

Scheduled for a Saturday evening broadcast, the pre-recorded leaders' television "debate" attracted few viewers and, given the degree of stage management that now



surrounds these events, the result was somewhat farcical (*Sunday Mail*, 3 March 2006). *The Australian* (4 March 2006) reported that Kerin failed to impress as he tended to become bogged down in jargon and, while generally more polished, the Premier was less than convincing when asked how budget surpluses would be maintained when Labor's election promises appeared to surpass \$300 million. Rann tried to embarrass Kerin by reminding viewers of his association with the Olsen Government's electricity utility privatisation. Labor's campaign advertisements that tended to attack Kerin's personality rather than his policies became a campaign talking-point. One advertisement focused on a bumbling radio interview Kerin gave shortly after an aborted challenge to his leadership. His long pause in answering the question of why he wanted to lead the Liberal Party was the focus of Labor's negative campaigning. During the television debate he was asked by host Ray Martin about this and replied: "I want to be Premier, Ray, not leader." This advertisement was devastating, but the nature of Labor's attack advertisements, which included ridiculing Kerin's physique, suggested overkill; after all, Labor had a comfortable lead in opinion polls. For example, *Newspoll* reported on 1 March that Labor led 44 per cent to 37 per cent primary vote and 54 per cent and 46 per cent two party preferred.

An interesting tussle between minor parties and Independents over the last two or three of the eleven seats being contested for the Legislative Council attracted more than the usual media attention and commentator speculation. For the first time in nearly three decades the Australian Democrats appeared unlikely to win or retain seats, whereas relative newcomers, Family First and the Australian Greens, appeared set to take seats. With his penchant for imaginative stunts, MLC Nick Xenophon's "No Pokies" campaign attracted considerable publicity and he managed to raise sufficient funds such that as the campaign progressed he appeared well placed to defend his Upper House seat. On polling day his polling booth supporters almost rivalled those volunteering to support the major parties in handing out how-to-vote cards. Greens candidate, Mark Parnell, presented as a professional white-collar type (he usually appeared in a suit and tie), sought to impress the voters with his credentials as an environmental lawyer and trained economist. He certainly contrasted with past Green candidates and quickly put the Greens in genuine contention. Running in their second state election campaign, Family First were hopeful of winning a second Upper House seat. They pre-selected a former corporate executive, Dennis Hood, and easily matched the major parties in election placards festooned over telephone poles adjacent to major thoroughfares.

### **The Result**

Labor received 45.2 per cent of first preference votes and 56.8 per cent on a two-party preferred basis, in both instances a significant shift compared to the result in 2002 (Table 1 below). Winning twenty-eight of the forty-seven seats in the House of Assembly, a net gain of five seats, Labor achieved a decisive victory akin to its first-term victory at the 1985 poll. Many of its own marginal seats moved firmly into the "safe" category, with twenty-one of the twenty-eight seats being won with a two-party preferred vote in excess of 60 per cent ([www.seo.sa.gov.au](http://www.seo.sa.gov.au)). The two non-Labor Cabinet Ministers, Rory McEwen (Mount Gambier) and National Party leader Karlene Maywald (Chaffey), were returned comfortably and likewise suburban-based Independent Bob Such (Fisher). The biggest surprise was Chris Hanna (Mitchell) who, after winning in 2002 as a Labor candidate, subsequently joined the Greens and then, on the cusp of the 2006 campaign, quit the Greens to run as an Independent. Finishing second in the count with 24.6 per cent first preferences compared with the Labor

candidate's 41 per cent, he gathered sufficient preferences, particularly from the Liberals (20.7 per cent), to narrowly defeat his Labor rival. The tumultuous political career of Peter Lewis, the MP responsible for delivering Mike Rann the premiership four years ago, ended when he decided against contesting his seat (Hammond). Instead, he ran for the Legislative Council, where he garnered less than one per cent of the vote.

**Table 1. Results for the House of Assembly in the 2006 SA Election**

	1 <sup>st</sup> pref. votes (no.)	1 <sup>st</sup> pref. votes %	% change in votes, 2002–2004	Seats won	Net seats change, 2002–2004	Number of candidates
<b>Labor</b>	424,715	45.2	8.9	28	+5	47
<b>Liberal</b>	319,041	34.0	-6.0	15	-5	47
<b>Democrats</b>	27,179	2.9	-4.6	0		46
<b>Greens</b>	60,949	6.5	4.1	0		47
<b>Family First</b>	55,192	5.9	3.3	0		45
<b>Nationals</b>	19,636	2.1	0.6	1		4
<b>Independents</b>	25,884	2.8	-1.4	3		14
<b>Dignity for the Disabled</b>	3,974	0.4	0.4			
<b>One Nation</b>	2,591	0.3	-0.5			
<b>Total*</b>	939,161	100		47		265

Source: SEO 2002, 2006

Total informal vote 35,029; total voters enrolled 1,055,347

The decisiveness of Labor's victory in the House of Assembly was, however, matched by the decisiveness with which voters moved away from the major parties in the Legislative Council. For example, there was an 8.6 per cent gap between Labor's total primary vote in the House of Assembly seats and its vote for the Council. As Table 2 indicates, nearly 40 per cent of South Australian voters supported minor parties or Independents and this produced the surprise of the election when Nick Xenophon's "No Pokies" ticket elected a second member. The surge of support for Xenophon was not unexpected but its size certainly was. He managed 23.5 per cent of the vote and became the first Independent to be returned to the Legislative Council for more than half a century. Family First and the Greens managed to win seats at the expense of the Democrats and Liberals. The behind-the-scenes barter and exchange of preferences prior to lodging preference allocations with the State Electoral Commission saw some interesting new alliances. For example, Labor supported Family First ahead of the Democrats in return for Family First not preferencing the Liberals in a number of key marginal Lower House seats. Whether voters are waking up to this Machiavellian

world is impossible to determine, but below-the-line voting increased slightly in 2006, with 94.6 per cent voting above the line and 5.4 per cent below. The preference deals also drew stark attention to the question of whether the Australian Democrats were in terminal decline. Labor's rejection of the Democrats was, in part, a result of growing animosity between the parliamentary leaders, which became more intense during the campaign after the Democrats attracted some media attention with their jibe that "Dunstan would vote Democrat" if alive in 2006 (*The Advertiser*, 1 March 2006). However, it is also a pragmatic assessment that dwindling support in the polls meant that the Democrats had little to offer Labor. Badly misjudging voter sentiment, both the major parties took the view that Xenophon had little to offer by way of preferences.

**Table 2: Results for the Legislative Council in the 2006 SA Election**

Party grouping	1 <sup>st</sup> preference vote	1 <sup>st</sup> preference vote (%)	Quota	Vote swings 2002–2006 (%)	Seats won	Seats in chamber
Labor	340,632	36.6	4.39	3.7	4	8
Liberal	241,740	26.0	3.12	-14.1	3	8
Ind. No Pokies	190,958	20.5	2.46	19.2	2	2
Family First	46,328	5.0	0.6	1	1	2
Greens	39,852	4.3	0.51	1.5	1	1
Democrats	16,412	1.8	0.21	-5.5	0*	1
One Nation	7,559	0.8	0.81	-1		
Nationals	6,237	0.7	0.08	0.2		
Shooters	5,991	0.6	0.08			
Dignity for the Disabled	5,615	0.6	0.07			
Ungrouped	29,545	3.2	0.38			
<b>Total formal votes &amp; seats</b>	930,869	100			11	22

Source: SEO 2006

Total informal vote 50,789 (5.2 per cent)

\* Democrats held 3 seats in the "old" council, 2 of which were being contested at the 18 March election. This means that the Democrats effectively lost 2 seats.

Labor remains in a minority in the Legislative Council and will need the support of the remaining Democrat elected in 2001, the Greens, Xenophon, and his running mate Anne Bressington, whose election came as much a surprise to herself as it did to Xenophon. After the election he explained to the media that he had told her, when she signed on to his ticket, that her prospects for election were decidedly unlikely. With the Government depending on the votes of this eclectic grouping, attention turned quickly to what her political values might be, given that she will occupy a seat for eight years. Her main interest is not so much the reduction of poker machines but rather the tackling of illicit drug use via harsher penalties, a position that matches well the Government's position.

### **Second Rann Government — Cabinet Members and Portfolios**

The post-election cabinet reshuffle saw Premier Rann honour his commitment to Rory McEwen and Karlene Maywald that, if returned, they would keep their ministries. The Treasurer, Kevin Foley, was rewarded with the additional portfolio of Industry, and rising star, Jay Weatherill, received a large vote of confidence in being promoted to assisting the Premier on public sector reform (*The Advertiser*, 23 March 2006).

- Mike Rann: Premier, Economic Development; Social Inclusion; the Arts; Sustainability and Climate Change.
- Kevin Foley: Deputy Premier; Treasurer; Industry; Federal/State Relations
- Paul Holloway: Minister for Police; Minister for Mineral Resources Development; Minister for Urban Development and Planning
- Patrick Conlon: Transport; Energy; Infrastructure
- Michael Atkinson: Attorney-General; Justice; Multicultural Affairs
- John Hill: Health; Southern Suburbs; Assisting the Premier in the Arts
- Michael Wright: Administrative Services and Government Enterprises; Industrial Relations; Recreation Sport and Racing
- Jane Lomax-Smith: Education and Children's Services; Tourism; the City of Adelaide
- Jay Weatherill: Families and Communities; Aboriginal Affairs and Reconciliation; Minister for Housing; Ageing; Disability; Assisting the Premier in Cabinet Business and Public Sector Management
- Rory John McEwen: Agriculture, Food and Fisheries; Minister for Forests
- Karlene Maywald: River Murray; Regional Development; Minister for Small Business; Science and Information Economy; Assisting the Minister for Industry and Trade
- Carmelina Zollo: Emergency Services; Correctional Services; Road Safety; Assisting the Minister for Multicultural Affairs
- Jennifer Rankine: State/Local Government Relations; Status of Women; Volunteers; Consumer Affairs; Early Childhood Development
- Paul Caica: Employment, Training and Further Education; Youth; Gambling
- Gail Gago: Environment and Conservation; Mental Health and Substance Abuse; Assisting Minister for Health

### **Election Aftermath and other Matters**

With the election out of the way, the focus turned quickly to the Liberal Party leadership and whether or not a backroom deal could be reached to avoid an acrimonious party-room contest. The main issues concerned overcoming long-term factional hostilities. With the headline, "Truce, family factions unite for the party's sake", Greg Kelton reported that a "unity" ticket was settled with the party's right-wing candidate, Iain Evans, becoming leader and the left's Vickie Chapman his deputy (*The Advertiser*, 22 March 2006). Despite some chagrin among Liberal MPs with the

factional “deal”, dubbed the dream team, most seemed to accept that this represented the best way forward for a party so often troubled by factional tensions. Evans announced a wide-ranging review of the campaign, saying the party would have “a good look at itself, including the policies taken to the election and the role played by the secretariat” (*The Advertiser*, 30 March 2006). For the first time in nearly a decade the Liberal Party presents a united leadership team and inevitably the questions are, will it last and is it capable of holding the Rann Government to account?

In late April the opposition was boosted when it received a series of leaks from the Transport Minister Patrick Conlon’s department exposing major cost blowouts relating to the government’s program of intersection underpasses and bridges (*The Advertiser*, 31 May 2006). While speculation surrounds the motives for these leaks, it appears that the government’s decision to dismiss the relatively newly-appointed Transport chief executive caused displeasure within the department. For a few days the opposition was on the front foot, but Minister Conlon’s deft parliamentary skills largely blunted the attack; nevertheless, it was a heartening beginning for the new Liberal leader (*The Advertiser*, 1 June 2006).

While a presidential style pervaded the Premier’s campaigning it is also fair to observe that a more substantial element of presidential government characterises the Rann Government. Previous chronicles reported on the respective Chairs of the Economic Development and Social Inclusion Board joining the executive Committee of Cabinet and wielding considerable power within the government and bureaucracy. When the Premier appointed Social Inclusion chair, Monsignor David Cappelletti, to the post of Commissioner for Social Inclusion, with a stipend of \$100,000 per year, the government was accused of blurring church and state. Federal Liberal MP, Christopher Pyne, called for Monsignor Cappelletti to “tend to the souls who need his attention rather than involving himself in the secular world of politics” (*The Australian*, 4 May 2006). Perhaps unwittingly, the Premier illustrated the validity of these observations when, in Parliament, he attempted to rebut Opposition Leader Iain Evans’ criticisms with the observation: “I know that the Liberals spend most of their time attacking each other, but we now know that they are going to be attacking Christian leaders in this state as well” (*Hansard*, 3 May 2006, p. 68 and *The Advertiser*, 4 May 2006). Cappelletti refused to comment but did say that the six-figure remuneration would, for the most part, go to charity. When asked for his comment on the controversy, the Anglican Archbishop’s spokesman said the Archbishop was “not in an immediate position to make a considered response” (*The Australian*, 4 May 2006).

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## Tasmania

January to June 2006

RICHARD HERR

*School of Government, University of Tasmania*

The first six months of 2006 in the Tasmanian media were dominated by the expected state election. Throughout January it was “will he; won’t he?” call an early election; followed by a February announcement; a short campaign; a dramatic return to power for Labor and then three months of struggling to hold onto the fruits of victory. The government was advantaged in the election campaign by a weak and divided

opposition. However, outside this period, the government repeatedly found ways to shoot itself in the foot politically.

### **Announcing the Date**

Insider gossip suggested the long anticipated state election would be announced around Australia Day but several events in January appeared to derail these expectations. Labor Premier Paul Lennon and the hospitality he received at the Crown Casino the previous year resurfaced early in January thanks to a *Herald Sun* (11 January 2006) story that suggested that he had misled the Tasmanian Parliament when he claimed not to have received Crown Casino hospitality during his 2005 Melbourne Cup visit. Before this controversy could settle, the premier found his integrity in the media's sights again. In early February, another mainland newspaper disclosed that his brother John, part-owner of Global Value Management, had won a number of consultancy contracts from the government and speculated on the premier's failure to reveal the family connection (*The Australian*, 10 February 2006).

Despite the adverse publicity, the countdown to any early election remained a media preoccupation. One clear sign that an election might be imminent appeared early in February when the state government announced a package to save Recherche Bay from logging (*Mercury*, 6 February 2006). This was expected to be a high-profile issue for the Greens but the intervention of Dick Smith, other private donors and the federal government enabled the state government to put together a \$2.5 million package to purchase the private land where a French expedition had once established a temporary settlement. The premier finally ended the speculation when he set the date of the state election for March 18 (*Mercury*, 17 February 2006). The timing had some advantages for the government in that it held off the need to hold Government Business Enterprise (GBE) hearings until after the election. The annual parliamentary enquiries had been embarrassing for the government in the two preceding years and they seemed likely to provoke adverse publicity again.

### **The Campaign**

Two motifs characterised the campaign - the Premier's integrity and the prospect of minority government. The former had been targeted by both opposing parties from well before the campaign but persisted throughout especially in Liberal Leader Rene Hidding's mantra of "special deals for special mates" relentlessly pushed by all Liberal candidates (*The Age*, 25 February 2006). Indeed, only days into the campaign, the premier was again defending himself against criticism for his choice of a Gunns Ltd division to undertake renovations to his Brighton home (ABC, 20 February 2006). The Greens had a more general axe to grind on impropriety regarding the conduct of the campaign. They alleged there was a "dirt unit" operating out of the Premier's Office seeking information to discredit the Greens unfairly (*Mercury*, 9 March 2006). The only relief for the premier came when the Auditor-General, Mike Blake, cleared the premier of any wrong doing in contracts awarded to Global Value Management (*Mercury*, 8 March 2006). Rather courageously, Premier Lennon had promised at least a preliminary report from the Auditor-General before the election.

The second motif, the prospect of minority government, has been a feature of Tasmanian elections for more than two decades as the Greens have established themselves as an effective force in Tasmanian politics. Polls had indicated that this was a real prospect in 2006. A campaign for majority government to counter this was mounted by a shadowy group of mainly business interests under the name "Better Future" and run by the PR firm Corporate Communications. The ads were credited

with causing a swing back to Labor during the last fortnight of the campaign (*Mercury*, 22 March 2006). Gunns Ltd chairman John Gay fired a more controversial shot when he claimed he would have to take his controversial proposed West Tamar pulp mill to Asia if the voters returned a minority government (*Mercury*, 21 February 2006). Negative advertising was disseminated that also singled out the Greens and their putative role in minority government. These attacked the Greens' social policies and were later traced back to members of a reclusive sect known as the Exclusive Brethren (*The Australian*, 27 March 2006).

As embattled as the government appeared to be, the other two parties were faring worse as the campaign progressed. Rene Hidding struggled to gain traction for the Liberals' platform. A *Mercury* TasPoll seriously undermined his efforts early in the campaign when it found strong support for Deputy Leader Will Hodgman as preferred premier even though his name did not appear on the poll's list of leaders' names (*Mercury*, 28 February 2006). The Greens appeared to over-reach themselves on two occasions. The first when their Leader, Peg Putt, was reported to have speculated on her desire to claim the Deputy Premiership as part of her price for supporting a minority government (*Mercury*, 17 January 2006). Later, she expressed an apparent willingness to deny supply if some Greens' policies were not adopted (*The Australian*, 1 March 2006). Neither aided the Greens' electoral cause.

### **The Election Results**

The election was not the cliff-hanger some expected. The Labor vote was down across the state but only modestly. The ALP won 49.6 per cent of the votes cast, down 2.3 per cent on its 2002 result. While the Liberal Party enjoyed a 4.6 per cent swing to the party, its electoral support remained very low at only 32 per cent. The Greens secured 16.2 per cent of the vote but suffered a swing against them of just under 2 per cent (*Sunday Tasmanian*, 19 March 2006). While two seats hung in the balance for ten days, the result was clear early on election night. The ALP Government had returned to power with a majority and the ecstatic premier had won a mandate in his own right. Moreover, the deciding of the final two seats in favour of the sitting members made all the drama of election night appear misplaced as the newspapers trumpeted the "same again" (*Mercury*, 30 March 2006). The victory of Kim Booth denied the seat in Bass that Labor had counted as a win on election night and guaranteed the Greens' retention of party status in the parliament. The ALP's Minister for Education, Paula Wriedt's win in Franklin over Liberal hopeful Vanessa Goodwin ensured that the Liberals would not be able to find much of a silver lining in their performance. Thus, the only changes were the two ALP replacements for two sitting members who chose not to recontest their seats.

Perhaps the only blot in the ALP's electoral book was the campaign against the Premier. This may have had some effect since the largest swing against Labor was in his seat of Franklin where the ALP's vote was down 4.5 per cent — a figure that was nearly twice the state average for Labor. It scarcely benefited the Liberal Party, however. Despite managing to stop a series of electoral slides against it, the party was unable to increase its parliamentary membership from the seven the Liberals held before the election. Indeed, it will need a much larger swing than it achieved at this election just to return to its 1998 level of just over 38 per cent. Then, it won only ten of the twenty-five seats in the House of Assembly. The results were bittersweet for the Greens. Although they retained all their seats, there was a swing against the Greens. This was less than 2 per cent but it was far from a strong swing to the party that the pre-election polls had predicted. Nevertheless, with one in six Tasmanians voting

Green, the party's base was still much larger than the 10.2 per cent the Greens won in 1998.

### **Government and Opposition**

Premier Paul Lennon seized the opportunity to put his own stamp on Cabinet. He surrendered the Treasury, which he took over in 2004 when David Crean was forced to retire by ill-health, but retained Local Government and Community Affairs. Bryan Green took over the Deputy Premier's role from David Llewellyn and was named Minister for Economic Development and Minister for Sport and Recreation. Michael Aird was rewarded with Treasury for his loyalty and skill in the Legislative Council. Steve Kons was promoted to Attorney-General as well as being given the three additional portfolios of Justice, Workplace Relations and Planning. Lara Giddings took over Health and Human Services; David Bartlett was awarded Education and Jim Cox was named Minister for Infrastructure. The media identified two "losers" from the previous ministry. David Llewellyn, who went from Deputy Leader and Health Minister to three lesser portfolios: Energy; Primary Industries and Water; and Police and Emergency Management. Paula Wriedt lost Education to become Minister for Tourism, Arts and the Environment (*Mercury*, 6 April 2006). Michael Polley was re-elected Speaker.

Premier Paul Lennon's cabinet provoked critical comment from the Greens for the decision to appoint Michael Aird as Treasurer. Peg Putt objected on the grounds that Aird sits in the Legislative Council where he will not be subject to regular and routine scrutiny by the Greens. However, there is a more fundamental reason for being concerned. Every Tasmanian Government since 1856 has observed the Westminster convention of keeping the Treasury in the House of Assembly until David Crean was appointed from the Legislative Council in 1998. He was the second only breach in the convention. Michael Egan in New South Wales claimed in 1995 to have been the first anywhere (*Examiner*, 11 April 2006). The constitutional bar to introducing money bills in the upper house is a powerful indication of the strength of this convention.

Like Labor, but more thoroughly perhaps, the Liberals opted for youth on their front bench. Billed as the "young guns", Will Hodgman, thirty-six, and Jeremy Rockliff, also thirty-six, took over as Leader and Deputy Leader of the Parliamentary Liberal Party after the election. Their youth was contrasted with the ALP's Paul Lennon and the Green's Peg Putt as part of a generational change in political leadership for Tasmania (*Mercury*, 31 March 2006). The Greens promoted youth with Nick McKim as their Deputy Leader but the only post-election announcement to make the news was Peg Putt's apology at the declaration of the Denison poll for her intemperate outburst on election night (*Mercury*, 4 April 2006).

### **Beaconsfield Mine Disaster**

The Tasmanian media and eventually the media around the world were focused on a small town on the north coast of the state. Late in the evening of April 25 a rock fall at the Beaconsfield mine threatened the lives of seventeen miners working underground. Most were able to scramble to safety but three men were trapped a kilometre below the surface. More than a day later the body of Larry Knight was recovered but the fate of the other two, Brant Webb and Todd Russell, remained in doubt for a further three days until contact was made that established they were alive. The next two weeks captivated the whole of Australia and then a global audience until the two were finally freed on 9 May 2006.



The accident had some political ramifications both during the rescue and afterwards. Opposition Leader Kim Beazley took the opportunity to link the accident with the Howard Government's workplace relations legislation claiming that this would reduce the provision for workplace safety training. Two weeks after the rescue, Prime Minister John Howard capitalised on the celebrity the disaster had acquired by holding a reception in Parliament House for the rescuers, families and survivors and in memory of the deceased. He also used the event to announce an \$8 million fund to assist the Beaconsfield community should the mine close. Outside, Workers Union secretary Bill Shorten used the occasion to attack the Government's industrial relations reform (*Mercury*, 30 May 2006).

There was one further fatality from the Beaconsfield disaster. At a late afternoon press conference on progress in the final stages toward reaching the trapped miners, well-known journalist Richard Carleton suffered a fatal heart attack and died in the ambulance carrying him to hospital (*Mercury*, 8 May 2006).

### **Legislative Council Elections**

The status quo was retained in the two Legislative Council seats contested on May 7. Labor's Doug Parkinson retained his Hobart-based seat of Wellington as expected. Indeed the ALP was so confident of his return that he was named Leader of Government Business in the Upper House after the March state election. Greg Hall, an independent, also reclaimed his northern seat of Rowallan. The only real political drama was in Wellington where the Greens candidate, Murette Corby, won 26 per cent of the vote. The Greens Leader Peg Putt claimed the high level of support, which forced Parkinson to preferences, was significant. However, support for the Greens and Labor had held in Wellington even though both parties' votes had dropped from the last Upper House poll.

### **The GBE Hearings — to be or not to be?**

A succession of reports after the election seemed to reinforce suspicions that the Lennon Government did indeed wish to avoid holding the parliamentary hearings into the Government business enterprises and corporations before going to the polls. Cuts to logging contracts, a request from the Hydro for \$300 million to improve its trading position and a decision to sell the Spirit of Tasmania III all provided grist for the mills of speculation on this score. However, an announcement that the government was "cancelling" these hearings rather than holding them after the resumption of the new Parliament was the clincher for the media and public alike.

The government had overstated its powers in the announcement. It had no capacity to cancel the hearings since these are established by resolutions of each house independently. The government had the numbers to prevent the House of Assembly passing the requisite resolution but the Legislative Council was a different matter. A number of MLCs — Paul Harriss, Jim Wilkinson and Sue Smith — reacted strongly against the announcement and indicated they would move to hold their hearings regardless. The public response was also vocally negative. Premier Lennon recognised the futility of persisting and the next day agreed that the hearings would be held within the next few months probably after the Estimates hearings (*Mercury*, 25 May 2006). Nevertheless, the misstep was politically damaging not least because it put the Legislative Council offside. It both bolstered the council's sense of independence and reinforced suspicions of the government in a way that would certainly add spice to relations between the two houses later.

### **SPOT the Sinking Ferry**

After weeks of denials and prevarications, Premier Lennon bowed to what many felt was inevitable and yet what the tourist industry had hoped to avoid. He announced the sale of the Spirit of Tasmania III and thus the end of the Sydney to Devonport ferry service (ABC, 5 June 2006). The government had propped up the service with more than \$65 million over the two and a half years it ran. However, the premier argued that it had to make the difficult decision because SPOT III's losses were endangering the viability of the other two ferries on the Melbourne to Devonport run. Without the sale, the government-owned TT-Line risked insolvency.

The decision was strongly opposed by the Australian Maritime Union, which insisted it would fight to retain the ferry, even while its spokesman, Mark Wickham, admitted the prospects of success were not good. Public support was also strong particularly within northern tourism interests and the local government councils. Economic commentators were somewhat divided although few thought the government could save the service without further subsidies.

### **The TCC Affair**

A scandal with the potential to seriously damage the government emerged toward the end of the period under review when a part owner of the Tasmanian Compliance Corporation (TCC) turned whistle-blower in late June on his own company. David Diprose alleged that the TCC had turned the state's controversial accreditation and registration mechanism for those in the building industry into a cash cow for two Labor mates — former Tasmanian health minister, John White, and ex-Queensland prisons minister, Glen Milliner. Diprose claimed the TCC was using its private monopoly position to make massive profits while failing to deliver the services required (*Mercury*, 22 June 2006). Diprose appeared to be motivated by the way he was manoeuvred out of his directorship of the company but the substance of his allegations had been circulating within the industry for some time. The claim forced the government to quickly attempt to diffuse the budding scandal by confining it to the financial operations of the monopoly by commissioning an independent audit by the accountancy firm KPMG (*Mercury*, 23 June 2006).

The issues at stake were unlikely to be confined to the KPMG audit however. The Liberal Leader, Will Hodgman, said the whole affair had a “fishy smell” to it as the government had been under pressure for a week within Parliament without giving ground yet claimed the KPMG audit had already been under way virtually the entire period (*Mercury*, 23 June 2006). The Greens were also suspicious and wanted the arrangement with TCC to be scrapped and the accreditation process brought within the public sector under the Department of Workplace Standards. The allegations of impropriety were continuing by the end of June and seemed likely to generate further problems for the government.

### **In Passing**

The iconic Tasmanian Devil remained in the news as theories and claims were advanced as to how to save the animal from the lethal facial tumour disease sweeping through the state. One study that achieved prominence linked the spread to the transmission through biting during fights (*Mercury*, 2 February 2006) but did not make clear how the animals could be persuaded to give up the habits of millennia, however.

Tasmanian Keith Bradshaw became the toast of the state when it was announced that he was the new chief executive and secretary of the Marylebone Cricket Club. He is the first foreign-born secretary in a line of fourteen secretaries of the MCC stretching

back 184 years (*Mercury*, 1 February 2006). He rashly invited all Tasmanians to visit when in London but then explained there were very few tickets to be had for the limited seating in the MCC.

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## Northern Territory

January to June 2006

BILL WILSON

*Charles Darwin University*

### Introduction

After the calm of late 2005, the first six months of 2006 marked one of the most intense periods of political activity in the Northern Territory for several years. There were, all the same, political issues that attracted attention and discussion but Indigenous affairs, the economy, education, the proposed sale of the government owned insurance office and the government's poor handling of several major issues became points of interest to observers of the Territory political scene.

### Sale of the Territory Insurance Office

At the start of the Territory's quiet period over the Christmas break it was announced in November 2005 that Rothschilds had examined the operations of the Territory Insurance Office (TIO) and prepared a report into its operations. Arising from the report were claims that the government intended to sell TIO. These claims gained momentum in early 2006 with widespread opposition to the sale, especially in the letters to the editor in the *Northern Territory News*. These letters were generally in favour of retaining TIO as a government controlled entity. Despite public support for the retention in government hands, it was widely expected that the TIO would be sold, causing a lobby group "Supporters of the TIO" to be formed with the intention of making any sale politically unpalatable (*ABC News Online*, 9 January 2006). The *Northern Territory News* reported on 12 January that the Rothschilds report, whilst not commenting on the sale of TIO did note that this was the best time to sell. The Rothschilds report noted that TIO had nowhere to expand due to the Territory's small population base. The Chamber of Commerce led opposition to the sale with the Chief Executive, Graham Poon, announcing on 18 January that: "The opposition to this proposed sale is so widespread. We are getting many non-Chamber members calling to ask us how they can express their views against the sale. This is by far the hottest issue we have handled in the past 12 months" (Chamber Press release, 18 January 2006).

Ultimately, on 8 February, the Treasurer, Syd Stirling, announced that the Territory Insurance Office would remain in public hands despite a scoping report advising there were risks for the Office in the future. (Press release, 8 February 2006). This was widely seen as a success for "people power" with the government having backed down on the sale, a charge strenuously denied by the Treasurer.

### Retirement of Chief Magistrate

On 3 January 2006, the Chief Magistrate, Hugh Bradley, announced his retirement from the position to take effect in July (*Northern Territory News*, 3 January 2006). His

appointment in 1998 had been challenged by the North Australian Aboriginal Legal Aid Service, leading to a protracted legal battle that concluded when the High Court ruled that Bradley's appointment was valid. In early June, Jenny Blokland was appointed to succeed Bradley. This brought to an end a festering issue with links to the previous regime of mandatory sentencing which it was alleged that Bradley had been brought in to support.

### **Middle Schooling**

In late 2005 the government, in announcing a consultation process for a radical revamp of Northern Territory schooling, said there was a requirement to focus on how to improve the outcomes for students aged between eleven and fourteen years. The Territory had Year 7 students located in both primary and secondary schools; the new proposal was to move all years seven, eight and nine children into middle schools. A two-stage consultation process that commenced in late 2005 defined a middle years approach. This first stage concluded late in the year and spilt over to 2006. Stage Two of the process, in which the public became far more engaged, concluded at the end of March 2006. A heated public debate raged as many staff, parents and students resisted the proposed changes (ABC Television, *Stateline*, 10 March 2006). The consultation was premised on full implementation of the new system from 1 January 2007. A 2,200-signature petition against introducing Year 10s to Casuarina Senior College was delivered to Parliament however, the Education Minister noted "there was a students' strike when Casuarina was turned into a senior college within nine months in 1988" (*Northern Territory News*, 29 March 2006). Students from the same school were particularly evident in letters to the editor opposing any changes.

On 7 June, Minister Stirling announced that Middle Schooling would be phased in over three years with all Year 10 students moving into senior secondary education from 2007, but the placement of Year 7 students up to secondary was delayed until 2008. New infrastructure would be ready in 2007/08 (Press Release, 7 June 2006).

Commentators noted that the minister had chosen the most expensive and politically astute policy to institute. "The fallout should be minimal — the Minister has opted for what all but the most strident of his critics see as the best combination of schooling. But his caution means middle schooling — which should improve the Territory's second-rate education standards — has been put off for another year" noted the *Northern Territory News*. Under the plan approved by the Minister, all Year 10 students would move into senior secondary education from 2007, but Year 7 students moving to secondary schools would occur in 2008 (*Northern Territory News*, 9 June 2006). There was a widespread belief that Minister Stirling decided to delay the introduction of middle schooling not because it could not be implemented in one phase during 2007, but because of the political pragmatism due to the opposition of a vocal minority (*Northern Territory News*, 9 June 2006).

### **McArthur River Mine**

A planned expansion of the McArthur River Mine caused difficulties for the government. McArthur River Mine was a zinc-lead mine wholly owned by Xstrata located 900 kilometres south-east of Darwin near the town of Borroloola. Xstrata wanted to redirect the McArthur River, located near the existing mine, for 5.5 kilometres and develop a pit in the river channel. The mine contributed both directly and indirectly around \$350 million annually to the Northern Territory economy and employs about 350 at the site. Xstrata noted that refusal to approve their planned expansion would place all the jobs in jeopardy due to the mine's threatened closure.

Environment Minister Marion Scrymgour's 23 February decision to reject the expansion of the mine on environmental grounds prompted a significant campaign by businesses and the mining lobby to get the decision reversed. The Minister's decision was not the final rejection as that decision lay with the Minister for Mines and Energy who had yet to make a determination. The 3 March *Northern Territory News* editorial claimed that the decision to reject the mine's expansion was influenced by Environment Protection Agency officers, whom it described as "greenies, philosophically opposed" to the mine.

A full-page advertisement in the *Northern Territory News* on 24 February was the first in a series of a series of editorials and articles arguing that the decision was an economic disaster for Territory mining and its associated service industries. Commentators also questioned the reliability of the independent hydrological study by University of Newcastle tropical rivers expert Professor Wayne Erskine because he did not visit the mine site.

The publicity campaign appeared to work, because the Minister for Mines, Kon Vatskalis, who controlled the final approval or rejection of the application, announced on 20 March that outstanding environmental questions needed answering before he made a final determination. The Minister noted the requirement to strike a balance between development and the environment — Xstrata had the opportunity to achieve that requirement, the Minister said, as he called on Xstrata to work with the Environmental Protection Agency to resolve outstanding matters.

### **Indigenous Affairs**

In April 2006, Joe Hockey, Federal Minister for Human Services said that town camps in Alice Springs represented the worst aspects of poverty in Central Australia. He said town camps were as bad as those in South African ghetto townships and represented a sea of despair. Town camps were set up in the late 1960s and early 1970s on the fringes of Alice Springs. They were, he said, shantytowns with humpies and minimal infrastructure, developed to cater for transient Indigenous people visiting Alice Springs. The newly-appointed Federal Indigenous Affairs Minister, Mal Brough, visited Alice Springs in early May. He and Chief Minister Clare Martin announced a \$30 million injection of funds to transform town camps into suburbs (*Weekend Australian*, 6 May 2006).

On 15 May, the Alice Springs Crown Prosecutor, Nanette Rogers, described in shocking detail on the ABC *Lateline* program an epidemic of sexual abuse and violent death pervading Indigenous communities throughout Central Australia. Rogers prepared a graphic dossier based on case files that she had prosecuted, confirming in horrific anecdotal detail a level of sexual abuse that has gone unchecked in remote indigenous communities where there are often few or no police (*The Age*, 16 May 2006).

This prompted Mal Brough to demand that state and territory governments fix the problems of abuse in Aboriginal communities causing a rift with the Territory government who, failing to come to grips with the immediacy of the problems, offered alternative solutions such as a twenty-year plan to overcome Indigenous disadvantage (*Northern Territory News*, 5 June 2006).

Amidst mounting debate about the Territory government's ability to handle Aboriginal affairs, the Chief Minister and Minister for Aboriginal Affairs, Clare Martin, declined to attend a national summit called by Mal Brough to consider the malaise in Aboriginal communities (*Weekend Australian*, 20 May 2006). Instead the Chief Minister nominated three other Ministers to attend, Marion Scrymgour

(Women's Policy Minister), Delia Lawrie (Community Services Minister) and Paul Henderson (Police Minister).

Anti-social behaviour and rioting at the remote community of Wadeye also became highlighted in the increasingly bitter debate about the management within Aboriginal communities in the Territory.

A report prepared by a member of the Australian Labor Party suggested that the government has underspent by tens of millions of dollars a year funding provided for Indigenous communities. The report warned that social and economic spending had become so warped that it might be beyond the ability of any government to address the issues on its own. The report "called for a regional development fund to be set up to tackle infrastructure deficits and promote growth recommended that the Government should put \$400 million into the fund, pointing out that it did not hesitate to allocate \$200 million for a convention centre and wave pool being built in Darwin" (*Sydney Morning Herald*, 25 May 2006). The report was later denied by the Treasurer who indicated that all funding allocated had been spent (*Northern Territory News*, 26 May 2006).

At a meeting between the Chief Minister and the Federal Indigenous Affairs Minister, Mal Brough, in Canberra on 25 May the Northern Territory Government agreed to strip Aboriginal communities of their control over new housing developments in a bid to tackle violence and sexual assault. Despite pressuring the Northern Territory to act on the violence, Brough, refused to provide any money for housing until law and order was restored at Wadeye and other Territory communities (*The Age*, 26 May 2006).

Finally, two high-profile, yet controversial, figures, were chosen to head an enquiry into allegations of child sex abuse in Indigenous communities: former Northern Territory and Australian Federal Police Commissioner Mick Palmer and Indigenous Health Advocate Pat Anderson. Both were the subject of criticism, Palmer from the Police Association for allegedly reducing police numbers during his stewardship and Anderson from the local media due to allegations of financial mismanagement (*Northern Territory News*, 29 June 2006).

Causing even more difficulties for the government was the call by ALP party whip Matthew Bonson for the Chief Minister to stand down as Minister for Aboriginal Affairs and one of the Indigenous members of the Legislative Assembly to replace her (*Northern Territory News*, 25 June 2006). Whilst the call was retracted, simmering tensions remained (*The Australian*, 19 June 2006).

### **The Economy**

The Territory economy was robust during the first six months of 2006. The population continued to grow well above national growth rates of 1.2 per cent.

The Territory budget, described as being bland, included an estimated \$134.9m for road development and improvement throughout the Territory and \$67.5m allocated for new and ongoing capital works. A continuing emphasis on combating violence and anti-social behaviour through the growth of the police was apparent. \$630,000 was provided for the Community Patrol Service in Darwin to combat antisocial behaviour. A further \$560,000 was included in the budget to provide new treatment places for people who are subject to an Alcohol Intervention Order or a Prohibition Order from the alcohol court. \$200,000 was allocated to establish the alcohol court. \$1.1 million was allocated to the Office of Alcohol Policy to continue to tackle the underlying causes of alcohol abuse in the community. The budget also provided \$196 million for Royal Darwin Hospital, \$97m for Alice Springs Hospital, \$23m for Katherine

Hospital, \$17m for Gove District Hospital, and \$10m for Tennant Creek Hospital (NT Budget papers). The Budget deficit would be \$47 million in 2006/07 following changes to plans for the Darwin waterfront project. Treasurer Syd Stirling denied this showed the development was behind schedule (*Northern Territory News*, 1 May 2006). Treasurer Syd Stirling later said he made no apology if the budget was considered to be “dull and boring”. He said government money was heavily committed and there was little room for new initiatives. Business gave qualified support to the Treasurer (*Northern Territory News*, 1 May 2003). There were no home stamp duty cuts in the Budget, and Construction Association Chief Executive Officer, Jon Baker, said this meant the government had missed an opportunity to promote growth in the housing market.

The development of an oncology unit at Royal Darwin hospital continued to plague the government. The federal government offered \$13 million in the Federal budget but Health Minister Peter Toyne said this was not enough. He said the unit would cost \$50 million to establish and run for five years. Solomon Member of the House of Representatives Dave Tollner said Canberra would pay all costs of setting up the unit and meet most operating expenses. (*Northern Territory News*, 12 May 2006). A decision about the development of an oncology unit has yet to be announced, a previous election commitment, and an issue that is drawing strong criticism of government.

### **Statehood**

Progression towards statehood stalled. After an initial flurry of consultation by the Statehood Steering Committee during 2005, few or no public meetings occurred during the first part of 2006. There was no public debate on the issue, other than during argument as to the location of a nuclear dump after which discussion rapidly ceased. Finally, the Chief Minister recognised that debate had not developed as expected and would take much longer to achieve (*Weekend Australian*, 17 June 2006).

### **State of the Parties**

A year after the election of 2005, which saw the ALP win a strong mandate and decimate the Country Liberal Party, there appeared to be a change of political fortunes. The ALP became accident-prone, with a propensity to mishandle issues such as Aboriginal child abuse, the sale of TIO and the McArthur mine redevelopment. Calls from within government for the Chief Minister to stand aside from the Indigenous Affairs portfolio highlighted divisions. In contrast, the opposition, with only four members in the twenty-five-seat Assembly, was able to keep the focus on alternative policies and their parliamentary performance was, at times, better than that of government. At the end of June 2006, the ALP entered their second year of their second term of government more ragged than at any time since coming to power in 2001.

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# Australian Capital Territory

January to June 2006

JANINE O'FLYNN

*School of Business and Government, University of Canberra*

## Overview

The first half of 2006 provided compelling drama for those in the Territory. Amidst continuing local debates over jails, dragways, caravan parks, and attempts to lure away Sydney workers, two higher-order issues emerged. Firstly, the continuing struggle for independence played out as the Territory government, and the Chief Minister in particular, provoked the Commonwealth government with the *Civil Unions Bill*. Secondly, Territory finances took centre stage as the Treasurer resigned and the Chief Minister mapped out a “budget for the future”.

## The Struggle for Territory Independence: The Civil Unions Bill

The Chief Minister, Jon Stanhope, has long been a vocal champion of civil liberties, presiding over the introduction of Australia's first Bill of Rights in 2004 and the subsequent removal of gender and sexuality-based discrimination from Territory legislation. It came as no surprise when he announced in December 2005 that he would be developing a bill to allow for the legal union of same-sex couples. Stanhope argued this would “deliver real, functional equality under ACT law for couples who either do not have access to the Commonwealth *Marriage Act* or who prefer not to marry” (Media Release, 2 December 2005). The announcement followed on from a six-month consultative process where three options had been canvassed: marriage, civil union; and, a Tasmanian-style registration system. Whilst Stanhope admitted there were many people who would not welcome this move, he made an impassioned argument about the extension of basic rights: “Civil union will deliver that [legal] recognition in full, without conflicting with or changing the meaning of marriage” (Media Release, 2 December 2005).

The Bill was introduced to the chamber on 28 March 2006 and immediately sparked controversy, generating considerable media attention in Australia and across the world. The Australian Christian Lobby quickly reacted, arguing the Stanhope government was “facilitating marriage by stealth” through its “deliberately provocative [and] mischievous” actions, providing further evidence that Stanhope was more concerned with becoming a “civil libertarian guru” than fostering the interests of Canberrans (*Canberra Times*, 29 March 2006). Other church leaders soon followed suit. Bill Stefaniak, Shadow Attorney-General, argued the legislation was unnecessary and reflected “another pet project that Jon Stanhope is forcing on the Canberra community” (*Canberra Times*, 29 March 2006). Prime Minister Howard weighed into the debate and questioned Stanhope's rationale, arguing that “[I]t was done very deliberately, we therefore look with some scepticism at what the ACT is doing” (*AAP Bulletin*, 30 March 2006). Going further, Angela Shanahan claimed he was undertaking “social reform that undermines the fabric of western civilisation” (*Canberra Times*, 1 April 2006). Equal rights campaigners quickly lent support: the Australian Coalition for Equality claimed the Prime Minister wanted a “Straight Australia Policy” (*Canberra Times*, 1 April 2006) and Senator Bob Brown referred to Howard as a “bigot” (*Canberra Times*, 4 April 2006).



For many, the latest stoush simply reflected Stanhope's provocative relationship with the Commonwealth: an acrimonious relationship made worse by his decision to publicly release Howard's draft anti-terror legislation and later develop his own laws which Howard and the head of the Federal Police said made Canberra a "soft target" for terrorists. Whilst he has been referred to as the "nation's number-one grandstander" and "a burr in the side of modern federalism", for Stanhope's supporters the latest squabbling represented a fundamental clash of values. Stanhope gained coverage across the world arguing: "My challenge to the federal government is to end its discriminatory treatment of gay, lesbian, bisexual, transgender and intersex Australians" and he claimed that the Commonwealth's objections "revealed the homophobia of the Howard administration" (*Agence France Presse*, 29 March 2006; *BBC News*, 30 March 2006; *Reuters News*, 29 March 2006). The Prime Minister denied being homophobic, instead arguing he wanted to preserve the "special and traditional place of marriage as a heterosexual union for life of a man and a woman" (*The Australian*, 3 April 2006), a "special tradition" which had been enshrined in the *Marriage Act* in 2004 with bipartisan support.

With considerable debate around Stanhope's motives and the attitudes of the Prime Minister, it was clearly an issue that would inflame a tenuous relationship. Whilst Stanhope loudly and consistently argued that his bill was about giving people equal rights under the law in terms of issues like property settlement, he denied he was trying to replace, duplicate or undermine "marriage". The difficulty of doing this in practice was reiterated by comments in *The Australian* where it was noted that it was pretty "hard to write law that gives civil unions equal rights to marriage without mentioning the word 'marriage'" (3 April 2006). It was jokingly (or perhaps not), suggested by Laurie Oakes that Stanhope had provided a "red rag to a bull" by including the term "union" in the title of the Bill (*The Bulletin*, 14 June 2006).

Immediately following the introduction of the Bill to the chamber, the federal Attorney-General wrote warning against enacting legislation that would contravene the *Marriage Act* by allowing same-sex marriages. Whilst the Territory might like to "see itself as an original state", Ruddock argued, "it doesn't have the power of a state and that's clear" (*The Australian*, 1 April 2006). According to Laurie Oakes, Ruddock had initially signalled his intention to assist the Territory in ensuring compliance with the federal legislation, but was directed by the Prime Minister to provide very general advice only (*The Bulletin*, 14 June 2006). Stanhope stood his ground and stated he would not be moved by Ruddock's threats:

What is his real concern about my commitment to remove discrimination and to show respect to same-sex relationships [...] one has to pose the question as to whether or not the real reason is that there is no place in John Howard's Australia for homosexuals (*ABC News*, 30 March 2006).

In response to the furore and in an attempt to circumvent intervention by the Commonwealth, the Liberal Opposition introduced an alternative *Registration of Relationship Bill* on 3 May that would follow the Tasmanian approach of registering same-sex relationships. This had received strong community support, the Liberal Party argued, as was evidenced by the tabling of lengthy petitions in the Assembly. Such claims were however not borne out by the results of public consultative process where this was considered the least popular option. The *Civil Unions Bill* was debated in the chamber on 11 May 2006 brought forward, some argued, to divert attention from the horror budget it was rumoured Stanhope would hand down in June:

When Idi Amin had troubles, he invaded Tanzania, and that sort of badly backfired on him. In a different but not dissimilar situation here, if it is grandstanding, this could simply be another white elephant and indeed could backfire on the government (Bill Stefaniak MLA (Lib), Hansard, 11 May 2006).

Following spirited debate, including Bill Stefaniak's comment that "It is hard to resist the notion that this is a stunt by the Chief Minister, who seems driven by the need to get himself into the history books as the first to do something — or anything, it seems" (Hansard, 11 May 2006), the Bill was passed with members lining up predictably: Labor and Greens MLA Deb Foskey supported the Bill whilst the Liberals voted against. A series of eleventh-hour amendments were also enacted including provision for the Territory to register civil union celebrants and reference to the *Marriage Act* definition of "marriage", in an attempt to appease the threat by the Commonwealth government to veto the Act. Debate on the Liberals' *Registration of Relationship Bill* commenced followed the passing of the *Civil Unions Act* but, not surprisingly, failed to gain the numbers.

On 8 June the *Civil Unions Amendment Bill* was introduced to reduce the notice period required from one month to five days for those intending to enter a civil union. This reflected the government's desperation to rush through some unions before the Commonwealth inevitably overturned the legislation. On 13 June, when it became obvious the Act would be vetoed, Wayne Berry, Speaker of the Assembly, visited the Governor-General pleading with him to allow the Act or seek suggestions for amendment from the Commonwealth. Such calls were drowned out by the Attorney-General and the Minister for Territories, who after considering the request instructed the Governor-General to disallow the "provocative" Act less than two hours later (*Canberra Times*, 14 June 2006). It was to be just the second time such power had been exercised, the first being the Northern Territory's euthanasia legislation.

A motion was put in the Senate to overturn the Governor-General's veto. During debate, the federal government's frustration with Stanhope was obvious as it was argued they had offered considerable advice on how to avoid the intervention of the Commonwealth and ensure it would be compliant with the *Marriage Act* (Hansard, 15 June 2006). Senator Minchin argued that the Territory government was "engaged in a political circus in relation to this issue" and that the legislation was going through the assembly at the same time as an "absolutely horrendous budget [...] it looks like it is setting up an alternative issue to distract attention from the horror budget which it has just been responsible for" (Hansard, 15 June 2006). After expressing his dismay at the "steamrolling of the ACT in a Coalition party meeting" (*Canberra Times*, 14 June 2006), Gary Humphries, Liberal Senator and former Chief Minister of the Territory, supported the Greens-led bill and notably became the first Liberal senator to cross the floor in the history of the Howard government. The Stanhope government immediately announced it would draft new laws.

### **Shuffling the Deckchairs on the Titanic?**

The January announcement by the Treasurer, Ted Quinlan, that he was resigning came amidst rumours Stanhope was going to take over the Territory's coffers and a "functional review" of administration. Following his formal exit in March, a count-back led to the election of Andrew Barr, a Labor Party insider and advisor to John Hargreaves MLA. To the dismay of the Labor backbenchers, Barr took a ministerial position immediately — awarded the post before he officially entered parliament — in the first contested cabinet race since the Stanhope government took office. For the

Opposition Leader Brendan Smyth — soon to face a challenge of his own — this reflected the lack of talent in the Labor team (ABC News, 22 April 2006).

In April, Stanhope announced his new cabinet, delayed, he argued, until he had received the findings of the functional review early in April. After taking on Treasury, Stanhope's bulging portfolio responsibilities included gaming, racing, economic development, energy, water, arts, and indigenous affair. The recently elected Deputy, Katy Gallagher, was allocated the health portfolio. Simon Corbell, in addition to planning, took on policing and the role of Attorney-General which had controversially been held by the Chief Minister. John Hargreaves became the Minister for Territory and Municipal Services. The freshly-minted MLA Andrew Barr was to receive a "baptism by fire" after scoring responsibility for education and industrial relations.

Whilst Labor shifted and shuffled responsibilities, internal strife gripped the Liberal Opposition. Early in the year MLAs feuded over whether or not they should sign a request to the Prime Minister to allow the Territory control over the size of its assembly. The party had long been fractured and it was reported that Liberals MLAs Dunne and Pratt were brawling in the corridors (*Canberra Times*, 8 February 2006). Following the article, Dunne was stripped of her portfolios amidst claims she had leaked details of the altercation to the press. A leadership challenge, rumoured for many months, finally came to a head in May when the divided party elected Bill Stefaniak — Smyth's deputy — to the leadership. Smyth had held a fairly tenuous grip on the leadership for a considerable time and it only required one defection to unseat him. Norman Abjorensen noted in the *Canberra Times* that after many months of squabbling it seemed that "Mr Stefaniak was the only option, and the only way to get rid of Mr Smyth" (19 May 2006).

### **The Budget the Territory Had to Have?**

Amidst these machinations concerns about the Territory's finances emerged. The forecasts had been for a deficit in the order of \$91.5 million and a mid-year review, whilst downgrading this to around \$30 million, had many nervous when it signalled debt would rise to \$108.9 million in the coming year — the equivalent of ratcheting debt up to \$7 billion in New South Wales (*The Australian*, 22 April 2006). In April the credit rating agency Standards and Poor's advised the Territory to "fix its finances" if it wanted to maintain its triple-A rating and an Access Economics report identified it as the only state or territory persistently running deficits on general operating expenses (*Canberra Times*, 2 April 2006). Stanhope responded to such criticisms by blaming the Territory's narrow revenue base — for example, the Commonwealth is the largest employer and landholder and pays no payroll tax or rates — and the high expectations of Canberrans that pushed service costs to around 20 per cent higher than the average. Chris Uhlman, however, posed the question that many wanted answered:

The astounding thing about all this is that the Stanhope government could have contrived to deliver such large deficits in such rosy times. It has benefited from an unprecedented housing boom and the goods and services tax is pouring more money than ever into ACT coffers. The economy is good. So why is the budget bad? (*Canberra Times*, 2 April 2006)

For some, the Opposition included, the perilous nature of the Territory's coffers and the answer to this question were to be found in Stanhope's love of "vanity projects" — a human rights office, a new prison, an arboretum, the community inclusion fund, and a busway — which drained money from the public purse. The impending crisis would, however, give some pleasure to those outside Canberra: "What a paradox, some people

observe with delight, that a polity which exists as a centre of government has never been much of a model of governing itself” (*Canberra Times*, 3 May 2006).

In April, Stanhope began to provide some clues about the changes that would flow from the findings of the confidential functional review, conducted by ACTEW Managing Director Michael Costello — at a cost of \$350,000 it was later revealed. Stanhope refused repeated calls to release the report, arguing it was a confidential cabinet document, forcing the opposition to make an ultimately unsuccessful freedom of information request. In April it was announced that administrative services would be centralised in a unit under the control of Treasury — an approach similar to that Costello recommended in Western Australia — and that a series of “super-agencies” would be created to streamline the bureaucracy. Considerable nervousness followed when Stanhope expressed shock that the public service had ballooned by somewhere between 2000 and 2500 staff since Labor took power, adding 10 per cent to the wages bill. By late April Stanhope was arguing the Territory had to stop living beyond its means and it was reported that somewhere between 400 and 500 positions would go through attrition and voluntary redundancies and that Stanhope was considering slashing superannuation contributions for new staff (ABC News, 28 April 2006). Union officials claimed Stanhope was “punishing ACT public servants for [his] failings to manage the ACT budget properly” (ABC News, 30 April 2006). The most politically sensitive issue also reared its head around this time — almost 18,000 desks were empty in government schools and a crisis was looming. The mere mention of school closures set off a range of groups who remained committed to the “school for every neighbourhood” approach, and sparked flashbacks to similar attempts which toppled the minority Alliance Government in 1990.

Stanhope gained some reprieve when a much larger than expected return on investments pulled them into the black with a surplus of \$120 million — some however argued the entire crisis had been manufactured to force major reforms (Graham Rodda, *Canberra Times*, 5 June 2006). Manufactured crisis or not, it was clear that Stanhope was gunning for big changes:

We spend more and provide a higher quality of service than the wealthiest states in Australia and we just can't keep doing that [...] the money's not there and the capacity's not there [...] The challenge now for the Opposition and the Canberra community is to take off the rose-coloured glasses with which each of us traditionally view the capacity of the ACT Government to delivery services (*Canberra Times*, 27 May 2006).

Many were shocked by the “budget for the future” when it was handed down on 6 June. A deficit of \$80.3 million was expected for 2005-06 (revised downward by \$230 million in the week prior to the budget), followed by \$40.7 million in 2006-07, before returning to surplus in 2007-08. It was announced that thirty-nine schools (around 25 per cent of the total in the Territory) would close, government charges would increase (\$400-450 per annum per household), staff would be reduced in schools, the public service would be radically restructured (saving around \$430 million over four years), cuts were made and projects put on hold. In *The Australian*, Sid Marris claimed that “a seventeen year political experiment and four years of big spending have collided with economic reality, forcing the ACT Government to bring down a draconian budget” (7 June 2006). Stanhope argued the budget showed the Territory has matured and was addressing the damage that had been done “year after year, government after government since self-government” as the fundamental weaknesses of the Territory’s finances were ignored (*The Australian*, 7 June 2006). Phillip Coorey disagreed, arguing instead that it showed the Territory government was a “jumped-up local council [...]

out of its depth” and compared it to the desperate budgets of Victoria and South Australia in the early 1990s (*Sydney Morning Herald*, 14 June 2006).

The detractors came thick and fast in the Territory — unions, parents’ groups, welfare groups, teachers, the tourist and real estate industry and so on — and to the shock of many the *Daily Telegraph* gave the Territory the entire front page for the first time in history to launch a campaign against Jon “Stanhope-less” who was labelled “an economic vandal whose disgraced government has declared war on Canberra” (8 June 2006). The head of the Real Estate Institute in the Territory, Peter Blackshaw, claimed that any notion of this as the budget that “had to be” was “left-wing bullshit” that should not be tolerated, arguing the gross mismanagement by this “bunch of clowns” would destroy the Territory’s economy (*Sydney Morning Herald*, 14 June 2006). Winners were few and far between: health received an extra \$41 million and funding was allocated for 60 new police. The ratings agency, Standard and Poor’s, commended the budget but stated, “In a perfect world they might’ve been able to cut a bit harder” (ABC News, 7 June 2006). And, just weeks after taking charge of the Liberals, Stefaniak delivered his budget response which blamed the need for cuts on Stanhope’s various “hobby-horses” (*Canberra Times*, 9 June 2006).

The one that attracted a lot of post-budget attention was John Hargreaves who after “celebrating” budget night managed to get booked for drink driving. He immediately resigned from cabinet only to return twelve days later after his court hearing and issuing of a good behaviour bond. However, the real one to watch will be the newly appointed Minister for education and industrial relations Andrew Barr — rumoured as a future leader — who was given responsibility for overseeing school closures under the *Towards 2020* policy, wrestling with teacher unions over jobs and conditions, and fighting rumours that this was a means of the government selling off prime land. He will also have to deal with a furious federal Minister for Education who issued a “please explain” as to why the Territory government accepted millions in federal funds to upgrade schools it intended to close and later demanded the return of unspent monies (*Sunday Telegraph*, 18 June 2006). The new Minister also, perhaps optimistically, took on the challenge of trying to get New South Wales to cough up for the cost of educating their children in Territory schools.

Whilst Canberrans’ ire will be raised as their inflated bills arrive and schools close over the next few years, some argue Stanhope realised that doing nothing might have been worse. Whilst this might very well be the “budget we had to have”, Stanhope has commented that he “doesn’t have a death wish” and that more palatable budgets will come over the next two years: “there will not be another budget like this one — not for decades” (*Canberra Times*, 10 June 2006). With a fractured Opposition led by an untested, perhaps intermediate leader, and two years until the next election, this might be one of Stanhope’s smartest calculations yet.

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