

## ANZSOG Case Program

# The Hard Sell: Australia's 2014 Budget (Epilogue)

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The fate of the budget now rested with a handful of Senate rookies. Complex preference bartering at the 2013 federal election propelled several micro-parties and independents into the Senate from 1 July 2014, including mining magnate Clive Palmer's Palmer United Party (PUP). His party would hold the balance of power, since it was unlikely that the Coalition would convince Labor or the Greens to pass the bulk of their legislation. Palmer was happy to repeal the carbon and mining taxes but would prove hard to budge on other issues. Meanwhile, the rest of the Senate was not moved by Government claims that they had a mandate to pass their budget measures intact. Anti-Budget rallies attracted thousands of protesters around the country while media coverage of the proposed measures reflected broad-based disaffection.<sup>1</sup> Most years, the news cycle moved on from the Budget within a couple of weeks but this year it wouldn't budge, still attracting headlines months down the track. Treasurer Hockey believed that if only they could get their most contentious legislation through, the economic benefits would start to manifest and the electorate's fears would dissipate.<sup>2</sup> It was not to be.

Although the Appropriation Bills eventually passed, a year later, approximately \$30 billion of Budget 2014 measures still languished in the Senate.<sup>3</sup> The GP co-payment fee, Paid Parental Leave Scheme, aged pension indexation and HECS indexation plans had been abandoned while university fee deregulation, the pension age increase and unemployment benefit changes had yet to pass. The fuel excise increase had been rejected but the Government found an administrative work-around. The Budget Repair Levy on high income earners and cuts to public broadcasters ABC and SBS did, however, proceed.

This case was written by Marinella Padula for Associate Professor Michael Di Francesco, Australia and New Zealand School of Government. It has been prepared from published materials as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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<sup>1</sup> <http://www.abc.net.au/news/2014-05-18/march-in-may-rallies-thousands-gather-to-protest-against-budget/5460482>

<sup>2</sup> Errington, W. And Van Onselen, P. *Battleground: why the Liberal Party shirtfronted Tony Abbot*, Melbourne University Press 2015, p.115.

<sup>3</sup> Appropriations provides funding for departments and agencies engaged with the ordinary and ongoing day-to-day services of government.

Budget 2015 was a much more subdued affair, and although the deficit had grown, there was no talk of a 'crisis'. Financial commentator Alan Kohler dubbed it 'a long, grovelling apology for last year's Budget'.<sup>4</sup> Company tax cuts were dropped and multinational corporations would be compelled to pay tax on Australian sales. Spooked by a party-room vote on Abbott's leadership in February 2015, the Prime Minister and Treasurer were hoping for a more positive reception to their second budget. But again, they drew ire when Hockey suggested that Australians concerned about housing affordability just 'get a good job that pays good money'.<sup>5</sup>

Consistently poor polling, coupled with Abbot's ongoing refusal to heed the advice of parliamentary colleagues and waning support from conservative media allies, eventually culminated in another leadership challenge – this time ending in success for Malcolm Turnbull. Hockey was replaced by Scott Morrison as Treasurer and eventually left Parliament to become ambassador to the United States.

A 2017 Liberal Party internal report revealed that the Government did not conduct any significant electoral research prior to the 2014 Budget. Though polling after the Budget suggested that voters were rather weary of ideologically driven policy.<sup>6</sup> Abbott, now a backbencher, nonetheless stood by the Budget claiming that: 'It was obviously a budget that was sabotaged in the Senate but it was a budget of sustained structural reform. Had those measures passed through the Senate, our budgetary position would be vastly better, our future I think would be much more secure because we would be living within our means.'<sup>7</sup>

Aside from lacking a coherent narrative and vastly misjudging the electorate, one of the Government's biggest mistakes, according to academics Van Onselen and Wayne Errington, was not investing serious time and effort in building support for their proposals: 'Where Prime Minister Paul Keating relentlessly pursued the case for economic reform, as did Howard, Abbott fell back on the slogans that had unseated Labor: surplus good, deficit, bad; cut the waste, stop the boats. Find the baddies and wage war on them. There was, we were assured, a plan.'<sup>8</sup>

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<sup>4</sup> Errington, W. And Van Onselen, P. *Battleground: why the Liberal Party shirtfronted Tony Abbot*, Melbourne University Press 2015, p.147.

<sup>5</sup> <http://www.abc.net.au/news/2015-06-09/joe-hockey-accused-of-insensitivity-over-sydney-house-prices/6532630>

<sup>6</sup> Opcit, p.93

<sup>7</sup> <https://www.theguardian.com/australia-news/2017/apr/07/abbott-defends-2014-budget-we-would-be-living-within-our-means>

<sup>8</sup> Errington, W. And Van Onselen, P. *Battleground: why the Liberal Party shirtfronted Tony Abbot*, Melbourne University Press 2015, p.11.