Welcome to the Roy Morgan State of the Nation.

This 20th report puts the spotlight on Australian Politics

Halfway through the Abbott Government’s First Term – where are we and where have we come from?

2015 sees Australia in a precarious position: serious economic issues; an increasingly complex international environment; and politically, an unpopular Tony Abbott led L-NP Government which does not appear ready, willing or able to deal with the issues that confront it and which is hampered by a dysfunctional Senate – made even more so by the recent splintering of the Palmer United Party.

Conservative Governments, especially those that need to change, are inherently ‘at odds’ with the operational arm of Government, the Public Service, with the powerful inertia of its own culture. The dysfunctional Senate makes it just that much harder.
Serious economic issues include:

- High levels of unemployment, especially youth unemployment and with falling ‘hours worked’ the emergence of under-employment as a major issue as part time jobs increase at the expense of full time jobs;
- The dramatic fall in the iron ore, coal and oil prices that has seen the end of the mining boom; the falling value of Australian dollar leading to concerns about cost of living;
- An unpopular 2014 Federal Budget including changes to health and education that divided the country was never fully implemented – resulting in a $40+ billion $ hole

Inextricably intertwined with these economic problems is the political context.

The Tony Abbott L-NP Government has lost the support of a great deal of the Australian electorate and some of his backbenchers and moreover has made promises about Industrial Relations (specifically not to tackle IR) that have paralysed the Government in terms of much needed action to free up the labour force.
If an election were held today the L-NP Government would not be returned. However the sheer size of the vote for other parties at the last election is an indication that the Australian electorate does not see a credible alternative in the current Opposition Labor Party.
These issues are examined in detail under three major themes that will undoubtedly be underpinning the political scene this year - 2015.

Party politics – Leadership.
Political/economic pressures – End of the Mining Boom
The International context - Trade deals, Foreign entanglements
In September 2013 after less than 6 years in Opposition, Tony Abbott led the L-NP to a comfortable Federal Election victory –
L-NP (53.5%) Vs ALP (46.5%) – and 90 seats in the House of Reps.
This is the largest share of the lower house since the 1996-1998 Howard Government. It is a sizeable majority to govern with given historical precedent. It is the half-way mark of Abbott’s first term as Prime Minister and the Coalition Government has already faced several difficult challenges.

The departure of the Australian car industry – Holden and Toyota announcing the closure of their Australian manufacturing operations within the next three years following on from Ford’s early 2013 announcement that it was pulling out; and significant job losses at Qantas, Forge Group, Alcoa, Telstra and IBM and several franchises ‘going under’ with associated job losses.
The massive drop in iron ore, coal and oil prices has seen the end of the mining boom.
Iron Ore and Coal are clearly Australia’s two biggest exports whereas Oil is often seen as a ‘barometer’ of the global economy.

First Oil – truly does look like the barometer of the global economy.
Overlaying Governments and leaders shows the increase beginning in the latter part of the Howard era, peaking within months of Labor being elected and falling sharply with the GFC and essentially trending up gently since then until the most recent fall.
The Coal price shows a similar picture
Increasing during the tail-end of John Howard’s Government, spiking in 2008 and a sharp fall with the GFC with some recovery during Labor’s time in Government until 2011 then down again.
This graph of the Iron ore price - demonstrates the extent of the Iron Ore boom and also the recent massive fall.
Overlaying Governments and leaders shows the same pattern of increase toward the end of the Howard L-NP Government continuing into the Labor Government’s time.

But Iron ore didn’t crash with the GFC – it continued to rise until Feb 2011 at a peak of nearly $200.

It has since fallen substantially to around $50. (although up over the last couple of days to $55- many have their fingers crossed).
While the previous Government faced the issue of whether or how to redistribute the wealth from the mining boom (Mining Tax or Mining Super Profits Tax), and how to moderate environmental concerns (Carbon Tax) the L-NP Abbott Government is having to deal with socio-economic and political issues associated with the end of the mining boom.
Also confronting the Abbott Government is the makeup of the Senate.

Tony Abbott’s L-NP Coalition Government controls 90 seats in the 150 seat House of Representatives. This is the largest share of the lower house since the 1996-1998 Howard Government. It is a sizeable majority to govern with given historical precedent.
However, The Coalition doesn’t control the Senate. Here, the Coalition controls only 33 seats out of a total of 76. This means to pass any of its legislation the Coalition must gain the support of 6 Senators from other parties. Usually this involves finding 6 ‘cross-benchers’ to pass any legislation.

The recent disintegration of the Palmer United Party means the Govt is effectively dealing with 8 different Senators representing varying interests.

The big test for the Government’s negotiating skills is coming up in a few weeks with Treasurer Joe Hockey’s second Federal Budget.
The Coalition holds most of its seats in only two States – New South Wales (30) and Queensland (22)
That’s 52 seats of the 90 L-NP seats.

This means the next Federal Election will (once again) be fought largely in New South Wales & Queensland.

The two recent State elections saw:

- The shock defeat of Queensland LNP Premier Campbell Newman at the Queensland Election earlier this year; and
- The comprehensive victory of NSW Liberal Premier Mike Baird a few weeks ago
Losing the Queensland State election, coupled with Abbott’s decision to award Prince Phillip an Australian knighthood, led to questions about Tony Abbott’s suitability to remain in the role of Prime Minister. A motion called for a leadership spill was defeated 61-39 in the Liberal Party party-room – a margin of only 12 votes. Since that defeat, leadership speculation has melted away and given Abbott a degree of ‘clear air’ to prosecute his case.

The successful campaign of NSW Premier Mike Baird – winning a large majority in the recent New South Wales Election has certainly provided Abbott with a significant boost before Hockey hands down the Government’s second Federal Budget in a few weeks’ time.

At the time of the leadership spill the talk was that Abbott had “about six months” to prove his leadership credentials which translates into a mid-year time-frame.

Remember both Kevin Rudd & Julia Gillard were both removed as Prime Minister in the last Parliamentary week of the month of June. Whether or not this happens again is likely to depend heavily on how Australians react to the Budget.
Primary support for the L-NP at 38.5% just ahead of the ALP at 38%. Support for other parties totalled 23.5% including: The Greens at 12%, Katter’s Australian Party (KAP) 1.5%, Palmer United Party (PUP) 1% and Independents/Others at 9%.

Since the 2013 Federal Election we have seen a clear drop for the L-NP and Palmer United Party with support rising for both the ALP and the Greens.
**Australians’ Voting Intention**

On a two party preferred basis The latest multi-mode Roy Morgan Poll (April 11/12 & 18/19, 2015) shows the L-NP Government (47%) behind the Opposition ALP (53%).

**Government Confidence Rating** – The latest Roy Morgan Government Confidence Rating is 88.5 points, with more Australians believing the country is heading in the wrong direction than the right direction. This is down from 111 the week after the Coalition came to power in September 2013.
This is a far better performance for the Government than we have seen for most of the period since the last Budget which led to a collapse in the Government vote.

However, the fact remains, if a Federal Election were held in April the L-NP would not be returned, the ALP would still win easily according to this Morgan Poll on voting intention conducted with an Australia-wide cross-section of 3,314 Australian electors aged 18+ over two weekends in April.
The Coalition’s improvement in the last few months has reversed the surge to the Opposition seen in January when leadership speculation surrounding Abbott dented Government support. One of the oldest political maxims is — “Disunity is Death” — this is something we see time and time again when parties are more concerned with their own leadership than the welfare of the nation they are supposed to represent.
The Roy Morgan Government Confidence Rating is 88.5pts.
The Roy Morgan Government Confidence Rating reached a record high of 152.5 in October 2009 – a year after the beginning of the GFC and only two months before Tony Abbott became leader of the Liberal Party in December 2009. The rise in Government Confidence during the Rudd Government came after the multiple stimulus packages including the BER – Building the Education Revolution, $900 Cheques sent out to taxpayers, and also the Home Insulation Scheme – commonly known as the “Pink Batts” idea.

Worryingly for the Government – this is the lowest Government Confidence Rating since June 2014 – immediately after the first Federal Budget. More Australians say Australia is ‘heading in the wrong direction’ (45.5%) than say Australia is ‘heading in the right direction’ (34%).
Australians report little support for either Prime Minister Tony Abbott or Opposition Leader Bill Shorten, according to a special telephone Morgan Poll, conducted April 21-23, 2015 with an Australia-wide cross section of 583 electors.
Prime Minister Tony Abbott has lost popularity with a majority of electors 53% now disapprove of his handling of his job as Prime Minister, only 37% approve and 10% can’t say. For Opposition Leader Bill Shorten’s handling of his job, electors’ disapproval (48%) also clearly outweighs approval (34%) and a further 18% still can’t say how they view the Opposition Leader after 18 months in the job.

However more Australians believe Tony Abbott would make a ‘Better PM’ than Bill Shorten.

These results were conducted in mid April as discussion increases about what the Coalition Government will present in its second Federal Budget. The lead Abbott now has over Shorten is very similar to the lead Abbott held over Shorten towards the end of 2014 – before Treasurer Joe Hockey announced the deteriorating Budget & Fiscal position of Australia in December 2014.

Although both leaders are unpopular on a personal level for ‘job competence’, Abbott has now pulled ahead of Shorten after weathering intense leadership speculation early in 2015 – in particular following the shock election defeat for first-term Queensland Premier Campbell Newman. However, one conclusion to quickly draw from these results is that neither leader is highly regarded by Australians.
And Australian electors prefer Malcolm Turnbull or Julie Bishop as Liberal Leader ahead of Tony Abbott.

Former Liberal Party Leader Malcolm Turnbull is preferred as Liberal Leader by 38% of electors – well ahead of Tony Abbott at 12%.

Although Malcolm Turnbull is clearly the preferred Leader of the Liberal Party by all electors, a great deal of Turnbull’s support comes from Labor and Greens voters.

However, even amongst L-NP supporters – traditionally the strongest supporters of Abbott – Turnbull 30% (up 4% since January) has now overtaken Abbott 25% (down 5%) as preferred Liberal Leader.
Malcolm Turnbull as L-NP leader has been preferred over Tony Abbott for some time and indeed his support at 38% is some 6% lower than recorded in June 2014.

Deputy Leader Julie Bishop has improved her standing substantially in the last few months. At 27% (up 20% since June 2014) Bishop has now been ahead of Abbott since early 2015 as preferred Liberal Leader. Bishop’s support has surged over the past year following her strong performance as Foreign Minister.

At various times other MPs have attracted substantial support – particularly former Howard Government Treasurer Peter Costello during 2008, and also current Treasurer Joe Hockey particularly between 2011-2014 (until Hockey delivered the ‘disastrous’ Federal Budget last year and his support evaporated).
Even amongst L-NP supporters – traditionally the strongest supporters of Abbott – Turnbull 30% (up 4% since January) has now overtaken Abbott 25% (down 5%) as preferred Liberal Leader.

L-NP supporters are also impressed with Deputy Leader Bishop 25% (down 3%). Treasurer Joe Hockey has lost significant support since delivering his first Federal Budget and is now preferred by only 6% (down 18% from June 2014).
Deputy ALP Leader Tanya Plibersek (23%) is now the preferred choice of Australian electors to lead the Federal Labor Party for the first time ahead of Opposition Leader Bill Shorten (21%).

Both are well clear of Shadow Minister for Infrastructure & Transport Anthony Albanese (13%) and former Treasurer Wayne Swan (10%).
Plibersek (30%) is supported by an even greater proportion of ALP voters and is slightly further in front of Shorten (26%) – although both have greater support amongst ALP voters.

It should be noted though, that in order to prevent the bloodletting that led to the downfall of both Kevin Rudd & Julia Gillard, there can be no leadership change for the ALP prior to the next election unless Shorten resigns or becomes incapacitated for some reason. Essentially Shorten will be contesting the next election as ALP Leader unless he decides otherwise.
Of real concern is the fact that Australians do not rate politicians highly for honesty and ethics.
Roy Morgan’s latest Image of Professions survey conducted in April shows Federal MPs trail well behind the likes of Nurses (92%), Doctors (84%), Dentists (71%), Engineers (74%), State Supreme Court Judges (69%) and Police (69%) – which is hardly surprising.
However, a closer look reveals many other professions are held in higher regard than our politicians.

These include Public opinion pollsters (29%), Newspaper journalists (18%), Talk-back radio announcers (16%), TV reporters (15%) – and even State MPs (14%) and Union leaders (14%)! Hardly a ringing endorsement!
Perhaps there is some good news – Australians place more trust in our Federal MPs than Stock Brokers (12%), Real Estate Agents (9%), Advertising people (5%) and Car Salesmen (4%)!
Although leadership and popularity issues are interesting, it is crucial to remember what matters to the electorate. When asked about the most important problems facing Australia, party politics and popularity contests are low on the agenda - it’s all about the economy.

49% say economic issues are the most important issues facing Australia – Economy, economic problems, interest rates, unemployment, the Federal Budget, cost of living, etc.
Some 49% mention something to do with the economy, economic problems, interest rates, unemployment, the Federal Budget, cost of living etc. as the most important problems facing Australia. Economic issues are and continue to be well ahead of social issues, human rights, and even politics and leadership.
The real way to solve the ‘leadership vacuum’ is not to seek popularity, what is needed is ‘bravery’ - clear, honest articulation of the problems facing Australia and Australians, and solutions that are explained clearly and with the honesty of the Leader’s convictions.

The Abbott Government appears to be making the same mistake as the Baillieu/Napthine Victorian Coalition Government – following the advice of political advisors ‘spin doctors’ who are more worried about how any action will be seen rather than tackling the real issues. That’s not leadership!

Even just in the last few months there have been political lessons to learn and absorb through the results of the various State Elections. The shock defeat of Campbell Newman – who was known for his “crash or crash through” style which didn’t allow for dissent contrasted heavily with the comfortable victory of NSW Premier Mike Baird – who took a controversial policy to the electorate and won a large mandate to enact the reform. Looking back, Abbott’s political mentor, John Howard, also achieved a very similar result when advocating for the GST at the 1998 Federal Election, and even New Zealand Prime Minister John Key has retained his popularity after increasing the GST in New Zealand despite the unpopularity of that policy.
We have already discussed commodity prices, related financial indicators are also crucial as context for the political landscape we find ourselves in.
During the 1970s, the Australian Dollar was higher than the US Dollar.

Since the Hawke Government floated the currency in late 1983 the Australian Dollar has averaged around 76 US cents – right where it is now.

The all-time record low for the Australian Dollar was in July 2001 when the Aussie Dollar fell to a low of 47.75 US cents. The Australian Dollar rode the Commodities Boom of the last decade to reach a high of US$1.108 in July 2011.

Since then the Australian Dollar has been on a steady decline and is now valued around 77 US cents. The fall in the Australian Dollar has made Australian Industries including Farming, Agriculture, Tourism, Education and Manufacturing more competitive.

These industries all took a hit as the Australian Dollar soared on the back of the Commodities Boom.
Despite the fuss made over interest rates – falling interest rates are not particularly unusual.

**Interest rates have fallen in the first 18 months of the last 6 Prime Ministers.**

The last time interest rates rose during the first 18 months of a Prime Minister’s term was in Malcolm Fraser’s first term in office (1975-1978) – that is nearly 40 years ago now.
The S&P/ASX continues to improve – with this March higher than 2014 which was in turn higher than 2013. (The US announced an all-time high for their Nasdaq on Friday – some comparing it to the days before the dot com bust).
Inflation Rates are down - the March figure is 1.3%.
However we believe the most important indicators are Consumer and Business Confidence and real unemployment.

Consumer Confidence is 111.8 (weekend of April 25/26, 2015) after a week of Gallipoli.

Above 100 but has fallen considerably since the Coalition won the last Federal Election in September 2013. (down 12.3 points).
Australia is nowhere near as confident as many of our Asian neighbours – ANZ Roy Morgan Consumer Confidence shows Australia behind.

China at 144.5; Indonesia 154.1; Vietnam 140.2; Hong Kong 137.0; New Zealand 128.8; Singapore 125.7; India 124.2; Thailand 114.4; but well ahead of Taiwan at 101.7 and South Korea at 78.6. *(Changes monthly)*
Indonesia at 154.1
China at 144.5
New Zealand at 124.6
We are well behind.

Roy Morgan is now continuously surveying in 11 Asia-Pacific countries.
(Australia, China, Hong Kong, India, Indonesia, New Zealand, Singapore, South Korea, Taiwan, Thailand, Vietnam)
Consumer Confidence has fallen 12.3pts during Abbott’s first 18 months in office – however – that is nothing unusual, Consumer Confidence has fallen during the first 18 months of the last 4 Prime Ministers.

In contrast, both Paul Keating and Bob Hawke saw Consumer Confidence rise during their first 18 months – but it should be remembered that both men came to power during recessions when Consumer Confidence was at a low ebb.

The largest fall for Consumer Confidence for a new Prime Minister on record was for former ALP Prime Minister Gough Whitlam. During his first 18 months in office Consumer Confidence plunged from 119.2 to 95.6 – a fall of nearly 20%.
ANZ-Roy Morgan Consumer Confidence – March 2015

**Australia** – 111.3
South Australia – 113.0
Victoria – 112.7
Western Australia – 112.1
NSW – 111.4
Queensland – 108.8
Tasmania – 105.5
ANZ-Roy Morgan Consumer Confidence v All Ordinaries (30 years).

The long-term graph shows a steady increase in the All Ordinaries until 2002 when it sky-rocketed for several years culminating in the all-time highs of late 2007 before crashing back down during the GFC (Global Financial Crisis). The All Ordinaries has returned to more like it’s long-term trend since then.
Very interestingly – since Abbott’s Election in September 2013 the All Ordinaries have been rising and Consumer Confidence has been falling. This is not a sustainable trend. At some point in the near future either the All Ordinaries will fall, or Consumer Confidence will rise, or there will be a combination of both.
Looking even more closely over the last 18 months – and even the last 6 months in particular.

The All Ordinaries have been rising and Consumer Confidence has been falling. This is not a sustainable trend. At some point in the near future either the All Ordinaries will fall, or Consumer Confidence will rise, or a combination of both.

There are clear trends in opposite directions between two indices that are usually strongly correlated.
Business Confidence is 112.4 in March. Well down from the levels it was at when Tony Abbott was elected Prime Minister in September 2013.
Roy Morgan Business Confidence is 112.4. Up on February (105.4), but well down from a record high of 136.3 in October 2013 following the election of the Abbott Government in September 2013.

The All-time low for Business Confidence was 99.8 in July 2011 during legislation introducing the Carbon Tax & Mining Tax.
Analysis of the quarterly Business Confidence data by State shows Western Australia the least confident of all businesses – interestingly Consumer Confidence is still holding up in WA. The other mining States are also below the national average – Queensland and SA.
Business Confidence for Medium/ Large Businesses has fallen at a steeper rate than for either Small Businesses or Micro Businesses since the election of the Abbott Government.
Unemployment is Australia’s major issue:

Australia’s real Unemployment is now at 10.8% (1.36 million) with a further 7.7% (0.98 million) Under-employed – almost 2.35 million Australians looking for work or looking for more work.
Real Unemployment in March (10.8%) – as measured by Roy Morgan (blue line) is way ahead of the ABS estimate of 6.1% (based on a much stricter definition of Unemployment). It has been of concern that using an estimate of Unemployment with such a low base gives Governments and policy makers a false sense of security.

However, even the lower ABS Unemployment estimates are showing the seriousness of the growing unemployment and underemployment in this country. The ABS Unemployment figure of 6.1% is substantially higher than their own estimate of 5.2% in December 2011; 5.4% in December 2012; and 5.8% in December 2013 just a year ago.
When Australians are asked the following question: “The ABS Unemployment rate in March was 6.1%. The Roy Morgan estimate for March was 10.8%. Which do you believe is closer to reality?” – A clear majority of Australians (60%) say they believe the Roy Morgan Unemployment figures.
Young people (the red line at the top) are hardest hit by unemployment. Currently 16.4% of the workforce under 30 is unemployed.

It is also worth noting that the other group which has seen a larger than average spike in unemployment is older Australians (60+).
Comparing Unemployment between Australia and the United States shows disturbing trends.

- Unemployment (even on the ABS measure) is higher in Australia than in the US.
- Labour underutilisation in Australia – the monthly Roy Morgan Unemployment & Under-employment Rate (18.5%) is now far higher than in the United States.

The Bureau of Labor Statistics (BLS) in the United States releases several measures of Unemployment. The most widely quoted is the U3 Unemployment which now shows a US Unemployment rate of only 5.5%. (This is equivalent to our ABS figure of 6.1%). The less-quoted, but obviously more accurate measure, U6 Unemployment shows US Unemployment now at 11.0%.

As one can see from the graph, even at the narrowest measure of Unemployment Australia and the United States had almost identical levels of Unemployment a decade ago. The Global Financial Crisis hit the USA hard and drove US unemployment up considerably. However, now more than half-a-decade after the end of the GFC – Australian unemployment is demonstrably higher than in the United States.

When one looks at Roy Morgan Unemployment and Under-employment – Australia’s labour underutilisation is considerably higher.
US Federal Reserve Chairman Janet Yellen is aware of the larger number of unemployed Americans than are usually noted. Are Australian Federal policymakers aware of the true level of unemployment and under-employment in Australia?

Unfortunately – it would appear not.

This large cohort of Australians (nearly 20% of the Workforce) will not be engaged properly until the Government makes meaningful policy decisions to free up the labour market and remove the constraints from the labour market that discourage employers for hiring.

http://www.wsj.com/articles/broadest-unemployment-measure-less-rosy-1426461694
Total Unemployment and Under-employment has been very high under the Abbott Government, however, in the first 18 months in office – despite the end of the Commodities Boom, it is largely unchanged.

Under both of the previous Prime Ministers – total Unemployment & Under-employment rose rapidly in their first 18 months.

*Total Australian Unemployment & Under-employment rose above 2 million Australians in December 2011 – it has stayed above 2 million ever since – 40 straight months. (December 2011 – March 2015).
Recently we heard major companies have been avoiding paying tax in Australia by for instance trading through Singapore. Yesterday Heath Aston in the Age claimed ‘Taxman loses $400 million as employers rob staff of super’.

A much greater issue is the loss of tax from the cash economy – no super so no 15% tax plus no income tax – and the double whammy of unemployment – a loss of tax, plus payment of Government benefits, and that’s before we consider the multiplier effect of employed people spending in the economy.
The international context is one which includes unrest and terrorism throughout much of the world particularly in the Middle East & Eastern Europe which directly affects Australia and Australia’s increasing engagement with, and dependence on, Asia.

Australia is increasingly engaging with and part of Asia. Today only 71.2% of Australians were born in Australia, some 10% were born in Asia or the Middle East, and that that number would increase substantially if it were to include children who were born here with Asian parents. Australians increasingly travel to Asian destinations on holidays, for business or to visit family and friends.
Australia’s Import & Export markets are dominated by China – which comprises nearly a quarter of Australia’s total Imports & Exports.

Trade with Asia is on the increase. Several important international Trade Agreements are being implemented including those with three of Australia’s biggest trading partners China, Japan and South Korea. Around 40% of Australia’s Trading is with North East Asia (China, Japan & South Korea).

Looming over all of these agreements is the TPP – The Trans Pacific Partnership – which is primarily a free-trade agreement with the United States. The TPP faces opposition in the United States, but for Australia it represents a great chance to open up markets to Australian exports – (agricultural goods like beef and wheat in particular) which have been given a boost by the recent fall in the Australian Dollar following the end of the Mining Boom.

Even in recent weeks we have seen Foreign Minister (and Deputy Prime Minister) Julie Bishop travelling to Iran. One of the reasons Bishop travelled to Iran was to discuss trade opportunities between Australia & Iran. This is not something anyone would have predicted when the Abbott Government was elected.
China’s GDP has grown by an average of 9.7% since 1980. However, China’s GDP growth is now slowing down.

As clearly our biggest trading partner, any slowdown in Chinese GDP growth will have a huge impact on the Australian economy – as we’ve already seen with the plunge in the Iron Ore price.
It is reasonable to anticipate more Trade Agreements and thus more exchange of products, services, and simply more engagement. The implications of our increasing trade relations include cheaper imports, potentially higher export prices for food, but continued downward pressure on labour costs particularly impacting manufacturing in Australia and therefore unemployment.

Politically in an environment where unemployment is, and is increasingly seen as, one of, if not the single most important issue, there are bound to be tensions as these Trade Agreements and the business done as a result change the nature of our economy – and there are winners and losers.
At the same time Australians are experiencing and reporting increased concern about international unrest, religious extremists, terrorism and war.

In particular, now 27% consider war and terrorism as the most important issue facing the world – equal with the economy at 27% and well ahead of environmental issues at 14. One consequence of increasing unrest throughout the world, and increased terrorist attacks is that Muslims are increasingly seen to blame for the terrorism in the world.
Australia’s complex relationship with Indonesia is a real sleeper. There was a rocky start to the L-NP Government’s Indonesian- Australian relationship following allegations of Australians spying on several Asian nations on behalf of the US as well as continued controversy about Asylum seekers.

However, skilful diplomacy by Foreign Minister Julie Bishop, as well as solid negotiations by Trade Minister Andrew Robb, have seen our relationship with Indonesia improved. However, the recent executions of drug traffickers in Indonesia and the fact two Australians remain on ‘death row’ in Indonesia present the Abbott Government with further headaches. Government appeals continue for clemency to new Indonesian President Joko Widodo for the two convicted Australian drug traffickers Myuran Sukumaran and Andrew Chan.
The complex set of issues surrounding asylum seekers and their treatment has divided the nation – and not on political lines. Indeed the human rights aspect of Australia’s treatment of asylum seekers has drawn outrage and despair from across the political spectrum. It is in part why the non-major parties have gained momentum. The fear surrounding asylum seekers, whether it is expressed as a fear that they may be criminals, that there may simply be too many of them, that they are too different from us to assimilate, and many other fears rational and irrational also cuts across political lines. With increased global unrest, increasing terrorist attacks, and heightened fears among the Australian population the issue of asylum seekers is unlikely to disappear.

Asylum seekers and other Indonesian issues will all remain ‘sleepers’ ready to ignite at any moment.
Summary of the first 18 months of the Abbott Government.
Since the election of the Abbott Government Business Confidence has fallen from a record high of 136.3 to 112.4 (down 23.9pts – 17.5%) and Consumer Confidence has fallen from 124.1 to 111.8 (down 12.3pts – 9.9%). However – Consumer Confidence has fallen by around 10% under the past four Prime Ministers in their first 18 months (Tony Abbott, Julia Gillard, Kevin Rudd & John Howard).
Australians nominate Economic Issues (49%) as the biggest problems facing Australia. These include the Economy/ Economic problems/ Interest rates (15%), Unemployment (13%), and other issues including Cost of living/ Inflation/ Federal Budget/ Poverty/ Over-reliance on Mining.
The ‘Commodities Boom’ is over – Iron ore prices have fallen around 75% from their peak in February 2011 ($191.70). However, this has led to a substantial drop in the Australian Dollar which makes other Australian industries more competitive – Education, Agriculture, Manufacturing, Tourism.

In Summary:

The end of the ‘Commodities Boom’ is an economic ‘shock’ but provides opportunities.

State of the Nation 2015
It might seem the Abbott Government has fallen a long way since winning the Federal Election – however, a quick look at history shows many first-term Federal Governments in Australia have faced significant problems but have recovered to secure a win at the next Election.
In Summary:

Implementing necessary but unpopular reforms can often be the best way to regain support.

State of the Nation 2015

The hostile Senate appears to have ‘spooked’ the Federal Government, but to win re-election ‘offence is often the best form of defence’. Some of the most successful Governments advocate tough reforms and carry them through – John Howard introducing the GST prior to the 1998 Federal Election, NSW Premier Mike Baird’s recently won re-election advocating the 99 year lease of NSW energy assets and even New Zealand Prime Minister John Key increasing the GST in New Zealand has since won 2 New Zealand National elections easily.
In Summary:

Unemployment and Under-employment remain a huge problem in Australia – now well above USA.

Australia’s real level of unemployment (10.8% - 1.37 million) and under-employment (7.7% - 970,000) is far higher than the official ABS unemployment estimate (6.1% - 760,000). More than 2.34 million Australians are looking for work or looking for more work. Youth unemployment is particularly bad (16%).
In Summary:

A prediction for the next election:

State of the Nation 2015

Unless decisive action is taken by the Abbott Government on unemployment and getting a Federal Budget passed that doesn’t get ‘bogged down’, delayed, and ultimately dismantled in the Senate, 2015 can expect to see further leadership battles; industrial unrest as unions and business are left to ‘battle it out’ in a political power vacuum; and an increasingly divided nation.

If decisive action is taken by the Abbott Government, without explaining clearly to the electorate why decisive action is needed and how the actions will take the country forward, the Government will be unable to govern.

The only hope is if the Abbott Government is able to understand the fears and hopes of the electorate, and more particularly the different electorates, cohorts, communities and people, so as to be able to explain and regain the critical level of trust needed to have Australians support the changes needed to take the country in the right direction.
State of the Nation 2015

It’s going to be an interesting 18 months...

The Key Areas of Change
Gary Morgan says:

“A year ago we said the issue was the falling iron ore price and keeping an eye on the Chinese economy.

“For many years we have been saying Australia’s ‘real unemployment’ is one of the highest in the world – so free up the Labour market and drop interest rates to get the economy going again – nothing was done because of ‘phoney’ ABS data.

“Unfortunately the mining boom masked the deep structural problem with Australia’s productivity.

“And unfortunately dropping interest rates now will make no real difference to the economy except drop the Australian dollar further!”
Wrong, Federal Government needs to tackle the issues now:

- Increase workplace productivity – (Abbott should step down or break naive promise of no IR reform)
- Eliminate the cash economy
- Tackle corruption at every level of the economy – corporate, unions & government.
- Real competition in the private sector
- Open Government tenders – too many ‘tenders’ now awarded to ‘mates’
- Accurate Government data – increase government efficiency by tendering services. eg. ABS surveys.

The Australian Business Review ran:

Wrong, Federal Government needs to tackle the issues now:

- Increase workplace productivity – work 24/7 – tackle unemployment & under-employment by elimination of outdated work ‘rewards’ – union rorts (Abbott should step down or break naive promise of no IR reform)
- Eliminate the cash economy
- Tackle corruption at every level of the economy – hold company directors, executives, union leaders, public servants and politicians responsible – ‘no exceptions’.
- Real competition in the private sector – eliminate monopolies, oligopolies and cartels.
- Open Government tenders – too many ‘tenders’ now awarded to ‘mates’
- Accurate Government data – and increase government efficiency by tendering services. eg ABS surveys.