

The Coalition has – finally – fallen over the line and will form government following the 2016 election, though it is still unclear whether it has secured a majority in its own right.

The challenges Prime Minister Malcolm Turnbull now faces are formidable. Although first-term governments often suffer a swing against them, the closeness of the result means the Coalition needs to reflect on what went wrong during its first term in office.

The first term

Before the September 2015 change in leadership, polls suggested the Coalition was on track to be a one-term government.

Much of the damage can be traced back to the Abbott government's [2014 budget](#), which outlined deep cuts to projected spending in health and education, the introduction of a Medicare co-payment, cost increases for medicines on the PBS, hardline changes to the welfare system, and the deregulation of university fees.

The Coalition's ability to sell these measures to the public was weakened by the fact they were not part of the Coalition's 2013 election commitments. Tony Abbott had also [explicitly ruled out cuts](#) to education and health prior to the election.

Having campaigned continuously against the Labor government for breaking its pre-election commitment not to introduce a carbon tax, [this breach of trust so early proved disastrous](#).

The government remained committed to many of these changes throughout its three years in office, although it was unable to secure their passage through the Senate, while the states were vocal opponents of the cuts to health and education.

In opposition, Abbott was never a particularly popular leader [with voters](#) – even when the

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Coalition was well ahead of Labor. The 2014 budget and an inability to get key measures through the Senate, combined with persistent internal rumblings over his leadership style and claims that his chief-of-staff Peta Credlin

[exercised too much power](#)

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[eroded his approval ratings](#)

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By September 2015, after 15 months of consistently bad polling, the government was sitting on an electoral precipice, paving the way for Turnbull's successful leadership challenge.

This resulted in an [immediate poll boost](#) for the Coalition. Turnbull recorded a significant lead over Opposition Leader Bill Shorten as preferred prime minister.

Turnbull's statement to the media on the night of his successful challenge signalled a change in the direction of the government and its style of leadership. He [emphasised](#) he would lead a "thoroughly liberal government committed to freedom, the individual and the market". He said Australia needed to be "agile", "innovative", and "creative".

He also foreshadowed a more positive approach to government, exemplified by his claim that there "has never been a more exciting time to be an Australian".

However, [Turnbull's lead over Shorten](#), and the [Coalition's lead over Labor](#), eroded in the eight months between the leadership challenge and the beginning of the election campaign.

Some decline was always likely, given the high expectations of Turnbull. Nonetheless, the situation was worsened by the relative lack of concrete policy proposals to give substance to his positive rhetoric.

Turnbull also endorsed the plebiscite on same-sex marriage and [ruled out an emissions trading scheme](#), which sat

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uneasily with his promise to run a liberal government and his past support for reform in both areas. It also created a perception that he was beholden to conservative forces within the Coalition.

The government then made a series of politically questionable moves. It proposed [reinstating state income tax](#)

, sent

[mixed signals on increasing the GST](#)

, and

[floated changes to the Medicare payment system](#)

. Whatever you think of these changes, they were always going to be controversial. And, perhaps unsurprisingly, the government ended up retreating from them.

Floating then abandoning policies was a strange move in the lead-up to an election. It made the government look less positive than Turnbull had indicated it would be. It alienated those in favour of the changes who were disappointed by the failure to adopt them. And it left the government vulnerable to a scare campaign that its real agenda was to introduce these changes if it were re-elected.

These developments, combined with the release of a series of major policies by Labor and an increase in Shorten's approval ratings, allowed the opposition to [regain a lot of the ground](#) it had lost when Turnbull became leader. By the time the election was called, it had a serious chance of victory.

The campaign

The negative aspect of the Coalition's campaign was to attack Labor as a threat to the [economy](#) and to [housing prices](#)

. Policies on negative gearing and company tax were the main targets.

The Coalition ran a [scare campaign against Labor on "border security"](#), arguing it would weaken its asylum seeker policy, leading to an influx of refugees. It [repeatedly warned](#) against the dangers of a "Labor-Green alliance" and emphasised the need for stability,

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particularly in the wake of Brexit.

There was also an attempt to appeal to the “Howard battlers” through the controversial “fake” (or, as it turned out, not-so-fake) tradie advertisement and by exploiting the [Country Fire Authority dispute in Victoria](#).

The positive aspect of the Coalition’s campaign was oriented around the idea of “jobs and growth”. This was linked to its central policy proposal, which was a A\$48 billion company tax cut.

However, the Coalition put forward few other major policy proposals during the eight-week campaign.

With five seats still close to call, the election saw the Coalition lose a net of 11 seats, and suffer a two-party-preferred swing of 3.36% in the lower house.

It would be particularly concerned at its loss of support among the so-called “[Howard battlers](#)” in the critical marginal seats of Lindsay, Macarthur and Macquarie in Western Sydney. Economic security is likely to have been a key concern for these voters.

Although the theme of jobs and growth was presumably designed to allay this concern, ultimately, the Coalition failed to make a clear and convincing case for how its policies would actually achieve these goals.

Other than its large company tax cut, it did not spend much time outlining in detail what its policy priorities in office would be. Combined with the cuts to spending originally outlined in the 2014 budget and the “[zombie](#)” measures still in place, this left the government vulnerable on the issue of economic security.

In this context, it's not hard to see why Labor's campaign over Medicare privatisation may have cut through.

The second term

Although Turnbull has been returned to office, he faces considerable challenges.

Despite calling a double dissolution to flush out micro-parties and produce what it hoped would be a more manageable Senate, the election did not achieve this goal. Although the final composition of the chamber is not yet known, it looks like the government will need the support of an assortment of nine crossbench senators to get its bills through.

As things stand, it seems likely they will oppose major cuts in politically sensitive areas such as family payments, health and education. This means the Coalition will need to moderate its approach or face another three years of stalled legislation.

The failure to win a more decisive victory also means that major government decisions are likely to be viewed through the prism of Turnbull's leadership, particularly given the continuing presence of his more conservative predecessor and his supporters on the backbench.

Turnbull's weakened leadership position will make it more difficult to resist pressure from more conservative Coalition MPs on social and environmental issues. The prospects of him realising his aim of leading a genuinely "liberal" government look fairly remote.

The Nationals – who had a relatively good election, increasing their vote and, in all likelihood, their representation in the parliament – are also in a stronger position within the Coalition than they were after 2013. [Reports suggest](#) they are using this to push for an additional position in cabinet.

The plebiscite on same-sex marriage, if it goes ahead, is likely to be a catalyst for propelling these internal tensions into the public domain. [Some conservative MPs](#) have already signalled they would vote against same-sex marriage rather than abide by the results of the plebiscite,

which [polling](#) suggests is likely to back reform.

Although there would probably be sufficient support in the lower house to get the bill through even without a unanimous Coalition vote, the spectacle of Coalition MPs voting against the results of a plebiscite the government insisted on holding would be damaging.

Finally, perhaps the most significant longer-term challenge arising for the Coalition from the 2016 election is the prospect of other parties on the right eating into its vote share. The [national first preference vote](#) for major parties in the lower house was around 77%. This means minor parties and independents attracted more than 20% of the vote (and the figures in the Senate are even higher).

Just under 10% of the nationwide vote went to the Greens, but that leaves a sizeable portion which went to other parties on the right/centre-right. The Nick Xenophon Team received just over 21% of the vote in South Australia and picked up the seat of Mayo from the Liberals.

Pauline Hanson's One Nation received just over 9% of the first-preference Senate vote in Queensland, 4% in NSW, and just under 4% in Western Australia, which is likely to be enough to secure [three to four Senate spots](#).

While One Nation's support is not at the level it was at in the late 1990s, the Coalition will be wary of losing more conservative voters to Hanson at the next election, particularly as anti-immigration parties gain popularity around the world.

However, if the Coalition moves too far to the right to counter this, it is likely to alienate more moderate voters who are opposed to Hanson's views on immigration and other issues.

Although there are a number of distinctive factors at work in South Australia that contributed to Xenophon's success, the fact his relatively new party won Mayo shows that it is not just parties on the far right that can potentially pose a threat to the Coalition.

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This is a further reason for the Coalition to rethink its policy approach. The Coalition's first term in office got off to a disastrous start after the cuts announced in the 2014 budget. Although it retreated from some of the most controversial measures, subsequent budgets also contained significant cuts, while [modelling](#) showed the poorest 20% of households were most adversely affected by the 2016-17 budget.

Proceeding with significant cuts to benefits and services in the Coalition's second term risks further alienating voters who are already troubled by a growing sense of economic insecurity, particularly those who are drawn to anti-immigration parties that exploit these concerns. This is likely to become an even bigger issue in 2018 when the government faces the prospect of negotiating a new hospital funding agreement with the states.

For this reason, adopting a more moderate approach to cuts in its second term is likely to be politically advantageous for the Coalition, as well as necessary if it is to avoid deadlock in the Senate.

Moderating these cuts would further delay the return of the budget to surplus, which would cause the government some immediate political damage. However, this is likely to be outweighed by the damage the Coalition would face in marginal seats if it went to the next election with policies that heighten voters' sense of economic insecurity.

Whatever strategy the Coalition adopts, Turnbull clearly faces a tough road ahead. Whether he can be the first prime minister since John Howard to see out a full term in the job will depend on whether he is able to adjust his approach and develop the political skills needed to manage the internal tensions within his own party, an unwieldy Senate and the electoral challenges associated with an increasingly [fragmented party system](#).

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