

The Turnbull government is finally tackling the issue of how the GST is divvied up between the states. It's a fraught task because reslicing the pie means some get a smaller portion. That is, unless you throw in extra flour, to make the bake bigger.

And that's just what the federal government is proposing.

Why the change and why this generosity?

Treasurer Scott Morrison says the present system is out of kilter and needs reform, but admits smoothing the way requires not having losers, and hence more money.

John Daley, head of the Grattan Institute, describes the exercise more bluntly. "This is almost exclusively about politics," he said on Thursday.

The politics of the Western Australian seats.

WA's share of GST revenue plunged as a consequence of the state revenue surge from the mining boom – the squeeze hit as the boom tailed off because of a lag under the formula. WA's situation was worsened by its having spent up big in the good times rather than stashing funds for later.

Read more: [Turnbull government says no losers in its new GST carve-up plan](#)

The Turnbull government has been under tremendous political pressure to fix the situation

permanently, rather than just through the top-up money it has been giving WA. The Liberals have been polling poorly and have several seats at risk.

No wonder the WA federal Liberals lined up on Thursday to celebrate the announcement that the government was adopting a new GST formula. “Today is the day of resolution,” Attorney-General Christian Porter declared, describing it as “quite an emotional day for us”.

Porter, in the seat of Pearce, is on a 3.6% margin. Previously state treasurer, he pushed the issue when he entered federal parliament.

In fixing the WA problem, the government didn’t want to create another with other states, so it considers the injection of funds (roughly \$1 billion a year by 2028) a good political investment.

The GST reform, which some experts label modest, is about barnacle-removal. It is both less substantial and less challenging than the tough slog towards the new energy policy, the National Energy Guarantee, though both involve negotiating with state governments, including Labor governments.

This week it was not the states but Tony Abbott causing trouble over the NEG.

On the indications so far, Malcolm Turnbull and Energy Minister Josh Frydenberg have the numbers in the party room for the NEG.

Abbott surely must judge that to be the case. But he seems determined to fight the proposed policy regardless of the political cost to the government, or indeed to himself. Perhaps he believes that, if the Coalition loses, his contrarian record might stand him in good stead for opposition days.

He’s going the full monty, calling this week for Australia to withdraw from the Paris climate agreement, despite the fact it was his government that entered that agreement.

Read more: [Exit Paris climate agreement: Tony Abbott](#)

Abbott backs his argument by saying the US's decision to exit changes things. Indeed it might, but that does not make a case for following the Americans.

He also seeks to rationalise retrospectively his 2015 decision on Australia's 26-28% emissions reduction target, saying that no one advised that this would require new efforts, and that the target was aspirational anyway. Julie Bishop, foreign minister then and now, said forthrightly on Wednesday: "It wasn't an aspiration, it was a commitment".

It's worth reflecting on what face Australia would be presenting to the world on climate policy if Abbott were still prime minister.

We'd be heading out of Paris, and taxpayers' money would be headed into constructing one or more new coal-fired power stations. It would amount to a very "retro" policy.

But would it have any immediate effect on what Abbott gives highest priority to – consumer prices? There is no evidence it would. As for the longer term, such measures would shake, rather than promote, investor confidence, not helping prices into the future either.

Of course Abbott's dissent goes well beyond the climate issue. He remains in a world of anger and frustration, obvious again in his tone this week.

"As I said to Malcolm Turnbull back in 2009, I do not want to change the leader, I just want to change the policy," he [told 2GB](#) (though back then, he successfully ran against Turnbull for the opposition leadership).

"Now, if Turnbull and I talked more I'd say the same thing to him today, I don't want to change

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the leader because I don't believe in politically assassinating democratically-elected prime ministers ... he does, I don't".

"I don't believe in changing horses midstream ... someone once said I don't even believe in changing donkeys midstream. I believe in sticking with the leader you've got, but it's perfectly consistent ... to demand a change of policy when the policy is wrong."

Frydenberg won't be able, or even seriously attempt, to appease Abbott. Critical Queensland Nationals are another matter, and Frydenberg is launching a [charm offensive](#) with them.

The claim by a number of them is that coal should get a favoured deal.

A working paper supported by some Nationals, [leaked to The Australian](#) this week, contained a call for a \$5 billion fund (off budget) used for the government to take equity in at least three new baseload power stations. At this weekend's Liberal National Party conference in Brisbane coal will be a topic of discussion. Turnbull is speaking there on Saturday morning.

Resources minister Matt Canavan is a strong voice for coal (while making the point that the issue is baseload power from whatever source). Former deputy prime minister Barnaby Joyce, like Abbott a frustrated outlier, is both a coal advocate and a loose cannon.

Those talking for coal argue it's important for marginal seats in northern Queensland. Other government sources say there's research indicating that in general "coal" is not a vote-winning word.

To make a concession to the coal lobby within the Coalition would flout the technology-neutral foundation of the NEG, to say nothing of the Liberals' belief in market forces. It would have much more serious implications than throwing in some money to boost the GST pool.

Greasing squeaky wheels may involve a price, in money or policy compromise, but it can be

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counter-productive if that price is too high.

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