



NEWGATE
AUSTRALIA

ELECTION NOTE FOR THE AUSTRALIAN INVESTMENT COUNCIL

**STEVE LEWIS, SENIOR ADVISER, NEWGATE
COMMUNICATIONS**

May 2019

SCOMO WINS HISTORIC VICTORY - REVENGE OF THE HOWARD BATTLERS

PRIME MINISTER-ELECT Scott Morrison will recall Federal Parliament next month to pass his \$158 billion income tax plan as he savours one of the most extraordinary election victories in Australian history.

Eight months after taking over a divided and dispirited Liberal Party, Mr Morrison ruthlessly executed a campaign that exploited middle Australia's fears about Labor's big taxing and far-reaching reform agenda.

Electoral results suggest that the so-called 'Howard battlers' – the great mass of tradies and aspirational workers who live in outer urban areas – turned on Labor over its plan to cut loopholes for franking credits and negative gearing.

For months, Labor MPs such as Susan Templeman – who is battling to hold on to her seat of Macquarie in the Blue Mountains, west of Sydney – has been warning that franking credits were hurting her prospects.

Key industry groups – such as Master Builders Australia – also ran targeted campaigns on negative gearing in seats such as Flinders on the Mornington Peninsula, where 14 per cent of the electorate are in the building trade or affiliated industries.

SHAPE OF THE 46th PARLIAMENT

While the final shape of the Federal Parliament will not be finalised for days, perhaps weeks, the Coalition is certain to form government although it may have to rely on the support of cross bench MPs in the House of Representatives.

The Coalition is on track to win 76 seats in the 150 seat House of Representatives. It might increase this to 77 or 78, although Labor is nipping at its heels in a number of tight contests.

Crucially, the Coalition has also strengthened its position in the Senate and will likely end up with around 34, possibly 35, seats in the 76-seat chamber. That means it will have to secure four or five extra votes from a group of conservative-leaning cross bench Senators, including former Liberal Cory Bernardi, One Nation and Centre Alliance.

The immediate impact of this extraordinary result – which stunned betting markets and was at odds with every published opinion poll – will be an anticipated strong start to financial markets.

REFORMS TO WATCH

With Parliament to be recalled in June, the Coalition Government's first priority will be to pass the income tax cut package announced in the April 2 Budget. Mr Morrison has already begun talks with cross bench MPs in a bid to secure passage for the tax package.

In addition, the Government plans to move quickly to secure further counter-terrorism legislation while Mr Morrison is also expected to tackle a series of perceived flaws with



the National Disability Insurance Scheme, after disability advocates warned it risked collapse over ‘market failure’.

Unfinished business from the last Parliament – including laws to protect farmers from activist animal rights groups and anti-violence social media reforms – are also likely to be priorities for the new Government.

BIG TICKET REFORM IS DEAD

Perhaps the most important outcome of this federal election is the realisation that big ticket reforms – such as those proposed by Bill Shorten and his Labor team – are incredibly difficult to achieve. The Opposition was vulnerable to a well-orchestrated ‘fear’ campaign over its proposed changes to negative gearing, franking credits, capital gains and other wealth distribution measures.

These proposed changes have been consigned to history with the next Labor leader certain to embrace a more modest set of reforms.

KEY GOVERNMENT PERSONNEL

Prime Minister Scott Morrison ran an extremely disciplined election campaign but he was effectively a one-man band. It is not expected that he will make radical changes to the new frontbench with Treasurer **Josh Frydenberg** and Finance Minister **Mathias Cormann** to again form the nucleus of his economics team. Both the Assistant Treasurer **Stuart Robert** and the Assistant Minister for Treasury and Finance Senator **Zed Seselja** are expected to be reappointed.

Tim Wilson, the backbench member for Goldstein, could be in line for a promotion after he orchestrated the grassroots revolt against Labor’s proposed changes to franking credits.

The Prime Minister will come under pressure to replace Environment Minister Melissa Price, who was invisible for much of the five-week campaign.

Mr Morrison will also have scope to reshape the front bench after the retirement of Defence Minister (and leader of Government business in the House) Christopher Pyne, Indigenous Affairs Minister Nigel Scullion, Jobs and Industrial Relations Minister Kelly O’Dwyer and Human Services Minister Michael Keenan.

Greg Hunt, who won his seat of Flinders in Victoria’s Mornington Peninsula, is expected to be reappointed as Health Minister while **Marise Payne** will continue as Foreign Minister.

LABOR EYES ANOTHER LEADERSHIP TUSSLE

Meanwhile, the Labor Party will undergo another tough leadership battle following Bill Shorten’s resignation as Opposition leader. Two prominent NSW Left MPs – Anthony Albanese and Tanya Plibersek – appear likely to face off although a number of Right



MPs – including Victorian Richard Marles and Tony Burke and Chris Bowen from the NSW Right – are also considering having a tilt.

A NATION DIVIDED

The Liberal Party's federal director Andrew Hirst deserves a gold medal for coordinating an extremely successful marginal seat campaign that paved the way for the Coalition to likely win a string of seats off Labor, while minimising its own losses to the ALP.

This election has confirmed that Australia is a nation divided. Labor's strongest performance was in Victoria but the ALP's primary vote tanked in Queensland where its equivocation over the hot button issue of Adani saw it lose the prized seat of Herbert, based around Townsville.

As discussed earlier, Labor's big-ticket reforms to negative gearing and franking credits triggered a voter backlash across the nation.

In outer western Sydney, the Liberal Party won back the seat of Lindsay, while it has won one or perhaps two seats in Tasmania. Labor also lost the seat of Longman, on Brisbane's northern edge, while Dave Sharma appears certain to win back the prized seat of Wentworth, held briefly by independent Kerry Phelps after Malcolm Turnbull's retirement.

Labor was hoping to win a swag of seats in Victoria and Western Australia but as of Monday morning that does not appear likely. The Liberal Party appears to have held all of its WA seats while in Victoria Labor appears on track to win one or maybe two seats off the Liberals.



