

# Uphill struggle ahead for Abbott as troubles multiply

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Prime Minister Tony Abbott heads into the final sitting week of the parliamentary year on Monday with his government struggling to explain unpopular policies and his premiership facing its keenest test since he won the 2013 election in a landslide.

Not only is he weighed down with the morale-sapping [coalition loss in Victoria's state election](#) at the weekend – a harbinger of his own mortality unless things change – but there are signs of growing disquiet inside both the federal Cabinet and the party-room over his office's political handling of both policy and personnel. And proving the trouble often arrives in threes, his embattled Treasurer Joe Hockey is now in the ignominious position of beginning work on a second and necessarily tough budget while he is still lumbered with the failures of his first effort held up in the Senate.

A Deloitte Access Economics "Budget Monitor" report to be released on Monday, predicts "budget deficits as far as the eye can see" suggesting the Prime Minister's oft-stated promise of a budget back in the black by 2017-18 cannot now be achieved.

This is due to falling commodity prices – mainly iron ore – and also to Senate intransigence nourished by public opposition which has seen key austerity measures announced, factored into the bottom line, but then not delivered. Mr Hockey is set to unveil the annual Mid-Year Economic and Fiscal Outlook around December 15 amid predictions the budget shortfall is getting worse not better despite the political pain already being sustained by the government.

The Deloitte Access Economics study compiled by Chris Richardson, predicts an underlying cash balance in 2014-15 of \$34.7 billion – some \$5 billion worse than the government's own official forecast in the May budget. But the real problem is likely to compound after a halving of the iron-ore price in the last year and other factors contributing to a slower path back towards balance than Mr Hockey projected. It means the balance sheet will still be firmly in the red to the tune of \$12.4 billion in 2017-18 just when the government said it would be close to balancing the books.

This fiscal own-goal is attributed to a chronic revenue shortfall caused by successive governments which treated the "rivers of gold" in company tax receipts from a temporary mining boom as if it were a permanent new revenue source.

Mr Richardson said the "pre-GFC budget boost was \$80 billion in 2007-08".

"No previous boom in economic history has been permanent," he said.

"In practice, the news since late 2011 has been almost universally bad ... those falls are taking the grandiose hopes and plans of Australia's politicians along with them."

Mr Richardson said the budget outlook was "still in reverse as China slows and the Senate fiddles".

The government is facing this economic challenge in a weakened political state.

It was in full damage-control mode on Sunday arguing the state election had no connection to Canberra and had been fought exclusively on state issues.

But the opposition claims that is "laughable" pointing out the Abbott government pledged a conditional \$3 billion for the state government's East-West Link road project, dispatched the popular Julie Bishop to campaign in the dying days, and arranged for the asking of 21 "Dorothy Dix" questions regarding Victoria last week in federal parliament.

Even Liberals in Victoria blame a raft of poor decisions emanating out of Canberra, including last week's "barnacle debacle", for the removal of the first-term Napthine government.