

2008 BUDGET REPLY – Barry O’Farrell MP, NSW Opposition Leader Legislative Assembly, 5 June 2008

The big lie of this Budget is that it is the State Government’s third.

In fact this is the 14th Budget delivered since Labor was elected in 1995.

It’s the 14th time a Treasurer has risen and delivered a ‘record’ investment in State infrastructure and services.

It’s the 14th time the citizens of NSW have been promised improvement in the basic services they expect of State government – like schools, hospitals, transport and community services.

The 14th time they have heard the same promises of improvement – the same commitment to do better.

And – regrettably – more than 13 years of bitter experience with this Government means they know better than to raise hopes for delivery of Labor’s promises.

Despite record revenues, the plans and pledges have failed to deliver the promised improvements.

After all this time, people across NSW know the biggest crisis they face is a continuing Labor deficit: the yawning gap between what the government says and what families face everyday.

It’s this history – the history Labor is so keen to disown – that explains the public’s lack of enthusiasm and scepticism about Tuesday’s State Budget.

The only ‘first’ in this Budget was its reception by Labor MPs in this Chamber.

For the first time in 14 years, there was no applause at the end of the Treasurer’s speech from his Labor colleagues.

The truth is that after 13 years in office, everyone – including Labor MPs – sees through the Government’s spin.

This year’s Budget is no different to its 13 predecessors.

It’s more of the same, but heading in the wrong direction – high taxes, cost blowouts, and promises of urgently needed infrastructure funded by ballooning debt.

A year ago the lemma Government refused to give the then Howard Federal Government any credit for the Budget’s turnaround.

This year they refuse to acknowledge the challenges posed to the State's Budget by the nervous man, the Federal Treasurer, now in charge of the nation's economy.

Despite all the undertakings from Labor before the Federal election, the promised 'fairer' GST deal – and the Sydney Airport stamp duty payment – have not materialised.

Wall-to-wall Labor governments have failed to provide any benefit – or relief – to NSW families.

We continue as one of the highest taxing States in the nation - \$2,645 for every man, woman and child.

Last year, the State Government received yet another windfall tax bonus of \$913 million – that took the annual tax take to \$18.5 billion.

And if you're not being taxed, you're being fined. Revenue from fines increased to \$300 million - \$56 million more than forecast.

And when long overdue tax reforms are made they come with Labor's usual sleight of hand.

Changes to the State's employment tax will still return more in payroll tax collections for each of the next four years than it did last year – a cumulative take of \$1.94 billion.

And after the three-year, phased tax reduction takes effect, the NSW payroll tax rate will still be higher than in Queensland and our threshold will still be lower than theirs.

Despite all the record revenues – a massive \$17,500 million in windfall revenues alone – Labor has received over the past 13 years, NSW has too little to show for it.

In order to make up for those years of neglect – and despite repeated pledges of record infrastructure spends and improvements in services – the State is going deeper into the red.

With Labor it's either feast or famine – yet the public gets crumbs or hunger pains.

Debt levels in NSW are forecast to nearly double over the next four years from \$22.2 billion (2007/08) to \$41.7 billion (2011/12).

Borrowings aren't necessarily bad, providing you can meet the repayments and your asset is increasing in value.

But we live in a time of economic uncertainty for the State's families and everyone knows that maxing the credit card comes with a price.

The cost of Labor's 13 years of financial mismanagement is clear from the interest bill that flows from Labor's debt binge.

When Morris Iemma became Premier, annual interest payments were \$2.2 billion – or \$323 for every man, woman and child in the State.

In 2011/12, the annual interest bill will be \$4.4 billion or \$632 per head.

- \$4.4 billion is equivalent of the annual allocations to the State's community and disability and emergency services budgets combined.

Labor's debt levels have once again exceeded its own legislated fiscal targets. In other words, having put itself on a calorie-controlled debt diet, it's continuing to binge.

As usual it's the public left to pay for Labor's incompetence. And as usual, they have no guarantee that improvements will be delivered on time or on budget.

This week's Budget confirmed further cost and time blowouts on the Epping Rail Link.

Originally promised as a link between Parramatta and Chatswood, Labor extolled its virtues in allowing residents in Sydney's west access to jobs in the then 'dot.com corridor' of North Ryde.

It was originally to cost \$1.3 billion.

In 2003, Labor halved the project and promised to have it finished by 2008.

Budget Papers reveal it won't be opened until next year and that its cost has blown out to \$2.35 billion.

That's right – the public getting half the original project for almost double the original price. And western Sydney residents without direct rail services to North Ryde.

The Iemma Government's failure to deliver on improvements in infrastructure is again highlighted by its failure to spend \$1.13 billion allocated for capital works projects in areas like water, transport, electricity and ports.

Labor has kept intact its record of never once bringing a State Budget in on budget. In 2007-08, expenditure exceeded forecasts by \$376 million – almost equal to the total amount of road funding set aside for Sydney's west and north west.

Employee related expenditure is forecast to increase at a rate of 4.5% per annum, but is dependent on the Government meeting its 2.5% wage cap.

The size of that task is highlighted by the fact that, over the past four years, average wage growth has been 5.8%.

Labor's inability to match expenditures with revenue – to live within its means – is again on display with general government spending forecast to continue to exceed receipts over the next four years.

This year Labor will spend \$268 million more than it receives. In four years time it will escalate to \$779 million.

This Budget also fails to outline any strategy or plan to deal with the challenges to the State's economy, businesses and families as a consequence of climate change.

The absence of any mention of climate change in his Budget Speech confirms Michael Costa's reputation as a climate change sceptic.

But that doesn't excuse his failure to use this Budget to start to engage the community on the challenges and costs we all face as the nation seeks to adjust for the impact of climate change.

This Budget does nothing to ease the burden on Labor's so-called 'working families' in Western Sydney or elsewhere across the State.

This Budget does nothing to provide assistance to valued frontline workers.

This Budget does nothing to guarantee the improvement in schools, hospitals, transport and the other services and infrastructure upon which our citizens and enterprises rely.

Nothing about easing the burden facing families, nothing to guarantee delivery, nothing to provide better services.

Labor's lost touch with the problems confronting people across the State. And, in return, the public has lost faith in this government.

Improving outcomes

But it's not just the NSW public that feels it's not getting value for money or service from the lemma Government.

Since its election, the Rudd Government has expressed similar concerns.

This year the Federal and State Governments battled over attempts by Kevin Rudd's Health Minister to link proposed increases in health funding to greater accountability from State governments, including performance measurement of hospitals.

Not surprisingly, the lemma Government resisted with Reba Meagher leading the efforts to stop the proposal.

It's a battle in which we, on this side, go with the public interest and back the Federal initiative.

It shouldn't take Federal Government action to encourage or coerce better value for taxpayer funds, improved accountability and better performance measurement in the delivery of State services.

Any State Government committed to improve its citizens' quality of life should do so willingly.

But that assumes the government of the day – unlike the lemma Government – is in touch with the needs of those it purports to represent and is determined to do better.

Knowing that we have the worst retention rate of students in Years 7 to 10 of all State and Territories should drive efforts to increase the numbers staying in school.

Understanding that the average wait for elective surgery in NSW is 35 days compared to 30 days in Victoria and 25 days in Queensland should ensure we are committed to doing better.

Publicly reporting that NSW spends less than all the other States and Territories on child protection activities could have prevented the disasters – and their personal consequences – we've witnessed in recent times.

Through their State Plan, Labor pretends to adopt this approach. But it's more bench, than mark.

It entrenches the political low bar that Labor always sets for itself and which has added to the State's problems.

Labor's approach is best epitomised by a report leaked to the media last year.

The RailCorp consultant's report was designed to compare CityRail's performance, efficiency, cost effectiveness, reliability and maintenance with other rail systems around the world.

Commuters weren't surprised to learn that this independent report recorded very poor CityRail results.

But did the lemma Government publish the report and use its findings to drive improvements for commuters and would-be train travellers? Of course not.

Instead they tried to bury it and, as Sydney's train commuters can attest, nothing has changed on our rail system.

Setting clear, measurable goals and publicly reporting against them can help deliver improvements in performance and help overcome community cynicism about government.

Upon election the Liberal/Nationals Coalition is committed to establishing this regime as part of our efforts to substantially improve the performance of government.

We do so to achieve better government for this State. Government that:

- is disciplined and focussed on public needs, performance and results;

- understands the 'quality' of government isn't determined by its size and that an ever-increasing agency budget is no guarantee of better services; and
- knows openness and accountability is essential in protecting individual freedom and lifting performance.

We're determined to end Labor's lethargy.

We're committed to changing the culture of government by better focussing on the public's needs. We unashamedly want to improve people's lives.

In office the Liberal and Nationals will:

- set clear goals and targets for each State Government agency;
- annually report publicly on the achievement of these targets; and
- introduce benchmarking of each agency's costs and performance against public and private best practice.

To ensure accuracy and public confidence we will require the NSW Audit Office to verify the reporting process.

It's about setting yearly goals – public goals – not just election goals.

Our principal aim is to lift the performance of government in delivering services to people across the State by rebuilding a robust public sector that's adequately resourced and has pride in what they do.

Labor has demoralised and attempted to politicise the public service to a level never seen before in this State's history.

Yet, in the face of all the State's crises, we need – like never before – an energised, focussed, responsive and 'can do' public sector.

Unlike the Lemma Government, the Liberal/Nationals Coalition is prepared to embrace the rigour involved in setting benchmarks and improving outcomes.

We do so knowing the current system is failing the public. We do so to offer people the hope of better government, better services and better quality of life.

Supporting frontline workers

This year's Budget Papers reveal that windfall receipts totalling \$1.75 billion were received in 2007/08.

That brings to \$17.5 billion the total of windfall revenues received by this State Government over the past 13 years.

It's a sum greater than anything Mr Lemma and Mr Costa are likely to receive if their power privatisation push succeeds.

Yet, as families across this State can attest, instead of being wisely invested in services and infrastructure it has been mismanaged and wasted.

It hasn't been used to ensure our hospitals, schools and transport are first class and meet community needs.

Instead the State Government is now being required to ratchet up borrowings to renew these, and other essential State services.

It's a situation that has undermined public confidence and fed scepticism about grand government announcements.

Last year I announced that the Liberal and Nationals, in government, would establish a State Infrastructure Fund charged with the task of revitalising and rebuilding critical State assets.

To stop Labor-style siphoning off of funds for political purposes, legislation will require moneys allocated to the Fund to be spent only on intended purposes.

It's a guarantee designed to restore trust with the community. It provides certainty of delivery.

Today I announce that a future Liberal and Nationals Government will take another step to improve Budget discipline, realise improved services and infrastructure and support critical State employees.

We are committing to a three-year Better Workplaces for Teachers and Nurses program as part of that Fund.

To be funded from revenue windfalls, the program will be used to improve working conditions in our hospitals and schools across the State.

This program will provide new, additional funding for these purposes. Existing health and education departmental programs will continue.

We understand the critical importance of both areas to communities across the State and that performance depends upon the efforts of those who work there.

Upon our election, we will survey teachers and nurses in our public schools and hospitals asking them to detail the capital works projects they believe will help them to do their jobs.

For instance, teachers might nominate a better staff room with improved computer facilities and workstations. Nurses could nominate secure parking or patient lifters to assist them in their duties.

But importantly, those employed in our hospitals and schools will be responsible for identifying where the funds are best used.

Rather than being driven by remote head offices, projects will be determined by local workplaces. Funds will be allocated to these projects on a priority basis.

If the program were already in place, \$1.75 billion would be available this year to improve the working conditions of the State's teachers and nurses.

At the end of the first three years, we will review the program and determine its suitability for application to other frontline workplaces, whether police or ambulance stations.

This initiative will positively assist in recruiting and retaining people in these important professions.

It will assist in meeting the needs of those who rely upon our public hospitals or attend our public schools.

It reflects the Liberal and Nationals commitment to treating problems, rather than Labor's preference for treating symptoms.

Supporting families

Practical solutions are required for the problem like the State's escalating housing affordability crisis – a crisis affecting both urban and regional NSW.

Yet Labor either ignores the issue or, is so out of touch, that it doesn't understand the impact it's having upon the State's families.

In May the REI reported that 39.8% of a NSW family's income is required to meet average mortgage repayments.

In dealing with its clients, the Department of Housing assesses households paying more than 30 per cent of their income in rent or mortgage as suffering 'housing stress'.

This crisis has been driven in large part by Labor's failure over 13 years to ensure sufficient land release, to encourage property ownership and investment and its decision to view this area – like so many others – simply as a source of revenue.

But despite Labor's responsibility, this Budget fails to offer relief to those affected by housing stress or any change in the policy settings that helped create it.

No assistance to the public at large.

No assistance for frontline workers – employed by the Lemma Government and on whom we all rely – facing the same problem.

No assistance for families struggling with the high cost of living in NSW.

Unlike Labor, the Liberal and Nationals are not prepared to ignore the plight of those trying to deal with the State's housing affordability crisis.

We believe there is action government can, and should, take to provide help. Steps a Liberal and Nationals government would take.

One practical step is shared equity that works by reducing the initial cost faced by people purchasing a home.

Targetted at low to moderate-income first home buyers, shared equity would allow government to join in the purchase of up to 40% of a home, depending on household size and income.

Available for the purchase of homes and units valued up to \$400,000, a shared equity scheme could provide access for up to as many as 4,000 singles, couples and families to buy their own home.

It could help people cope with Labor's housing stress.

By applying to income limits up to \$90,000 the scheme would help encourage our critical frontline workers such as nurses, teachers and police officers to remain in NSW.

A bonus of this scheme is the broad socio-economic benefits involved – property ownership has a lasting, positive impact throughout a life on a person or family's standard of living.

The Prime Ministerial Task Force on Home Ownership found that shared equity “could enhance the average family's standard of living at every stage of the life-cycle”; and “accelerate a household's transition from the rental to the home ownership market while significantly increasing its disposable income and expected wealth at retirement”.

This program reflects the Coalition's views about the benefits of home ownership.

It reflects the realities confronting families across NSW.

It reflects the determination of the Liberal and Nationals to provide practical solutions to the State's problems.

Over the coming months we will be consulting widely with homebuyers, property and finance sectors to develop this initiative and so offer hope to first homebuyers struggling to break into the State's property market.

My Liberal and Nationals colleagues and I understand that doing nothing isn't an option.

Supporting our children

The Liberals and Nationals have a strong commitment to education.

We believe education is crucial to unlocking the potential everyone possesses and should be encouraged to realise for their own benefit and the benefit of society.

It's a commitment that saw us argue in 2002 for lower class sizes in Years K-2 in primary schools – in the face of Labor opposition and claims by the current Deputy Premier that the benefits were unproven.

On the eve of the 2003 election, Labor backflipped and students across NSW are now enjoying a better start to schooling in smaller classes.

Our understanding of the importance of education is why we have argued for a greater focus on preschool education.

It's why, in the lead up to the 2003 election, we started discussions and debate about shifting responsibility for regulation of NSW preschools from the Department of Community Services to the Department of Education.

It's why we have repeatedly proposed a substantial lift in spending in this critical area.

Labor's neglect and lack of funding has left NSW with the highest fees and lowest preschool participation rates in the nation.

As the Federal Government's Productivity Commission's 2008 Report on Government Services found, the preschool participation rate of NSW 4 year olds is less than 65%, while the national average is 87% and 97% in Victoria.

If you're a NSW family, your children have less chance of attending preschool than any other State.

These figures also revealed the lemma Government spends less than any other state on preschool education at \$726 per child aged 3-5 years, compared with the national average of \$1,061.

City or country, rural or regional, there are children who as I speak to you are missing out on the benefits of a preschool education.

Instead of addressing this problem, Labor has opted for political fixes.

Even in an area involving the future of our children, Labor dangles promises, before snatching them away.

The Liberal and Nationals are determined to end this situation and give 4 year olds greater access to the benefits of preschool.

During our first term we are committed to raising the participation rate of NSW 4-years olds at 2 day a week preschool to 95%.

To achieve this target up to an additional 25,000 places at preschools would be available to families across the State.

It represents an additional investment of \$50 million a year – a far better use of taxpayer funds than the lemma Government's twin obsessions of advertising and consultancies.

Starting in communities of greatest need and disadvantage, the program will extend across the State.

We do so because these children deserve access to the opportunities preschool can provide.

We propose it in recognition of the social and economic value of early childhood education.

We are committed to it because we want the State's children to have the best possible futures.

Mr Speaker,

At last year's State election, Morris lemma admitted there was more work to do and promised to get on and fix the State's problems.

More than a year on there's even more work to be done – and the public's still waiting for him to start.

Despite all their efforts to convince people otherwise, this year's Budget confirms what the public knows – Morris lemma and his Labor team have been in government too long. It confirms all Labor's financial mismanagement; it confirms their failure to ensure services and infrastructure kept pace with community and industry needs; and it confirms why Labor can't be trusted when they promise to do better.

My colleagues and I will continue to offer solutions to this State's problems and remind the public that it doesn't have to be like this.

The State can do better and deserves better government.

The public know the lemma Government is out of touch and out of ideas – and they want it out of office.

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