

**RESTORING PROSPERITY TO NEW SOUTH WALES**  
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Two years after the last NSW election and two years before the next, I have two key topics I want to raise today:

To share my views on the role of government and business in creating prosperity, especially at a time of crisis, when capitalism itself is coming under scrutiny.

And to outline how a NSW Liberal/Nationals Government will work with the business community to get this State out of the mess it is in.

My bottom line is this: to come through the current conditions and restore our status as Australia's economic leader –

- NSW needs to be the first place in Australia to do business – and that requires lower business taxes and less red-tape;
- NSW needs to have stronger partnership between business and government; and,
- NSW needs an unprecedented commitment to 'future proofing' through building infrastructure.

Such an approach meets today's challenges and also fulfils a core mission of State Government – maximising value for taxpayers and delivering the basic services the community relies upon.

### **Global Economy**

First let's acknowledge the world is a different place than it was just two years ago and that we have entered a new era in world economic affairs.

It's been caused, not as a result of ideological victories or historic inevitabilities, but by complacency, failure to heed the lessons of the past and a culture of credit always destined to end in tears.

The global financial crisis is testing governments, businesses and communities around the world.

Australia's major trading partners are experiencing a downturn that could be amongst the worst in the last hundred years:

- the US lost 598,000 jobs in January which is the worst result in 34 years;
- the Reserve Bank of Australia says export prices will fall 20% this year; and
- Japan's Ministry of Economics, Trade and Industry estimates their production, so heavily reliant on Australian resources, has fallen at least 14% this year and will fall further.

As a result, long-term unemployment and its horrendous social problems are forecast to again confront us – and government is again being called upon to help people cope.

### **Impact on NSW**

As we started from a worse position, with our economic growth lagging behind other States, NSW is feeling the impact more than anywhere else in Australia.

NSW has not had a growth rate above the national average since 2002 – and the sum total of what gets done for our citizens has diminished as a direct result.

Growth is vital because it funds the social outcomes we all want – the trains and roads that get us home to our families on-time or the hospitals where we can be confident of timely, quality care.

NSW is feeling it more because of more than a decade of missed opportunities for reform. For years business and others tried to get Government to take on the fundamental reforms needed to make NSW more competitive, including lower taxes and cutting red tape.

NSW is feeling it more because of bad decisions made by a failed government. At a time when government should be helping, ours taxes too much – including increasing 16

taxes in its mini-Budget – and axes critical infrastructure projects and the jobs they would create.

NSW is feeling it more because it's out-of-step with virtually every government in the western world by failing to offer an economic stimulus package. Federally, the debate wasn't about whether a stimulus package was needed; it was about its size. Here, in NSW, we're still to convince Mr Rees to sign up to one.

It's a stark and sad contrast.

On the one hand, our citizens are tackling the tough times – making sure their affairs are in order, working harder, carefully watching their spending. On the other, our State government has no purpose, no plan and no package – only on-going factional fights and an inability to manage.

If Nathan Rees can't even sort out an office re-fit, what hope is there of him ever fixing the State?

Later this week, five months after he became Premier, Mr Rees' is sitting down with business to discuss their current challenges and the State's economic future.

The test he faces is – finally – to stop listening to Labor's backroom boys and start listening to business and the community. It's to produce a comprehensive and effective stimulus package that serves to protect the current and future interests of NSW, not those of the NSW ALP.

### **Labor's Failure**

And I do want Nathan Rees to pass that test. At times like this the interests of the community must be put above those of party politics. We need recovery to commence now, not in March 2011.

As we have seen, the current global situation is proving a difficult test for even the best of governments worldwide.

For a government with its record of missed opportunities, mismanagement and malfeasance, the choice faced by the Rees Government is a critical one:

Will it spend its remaining two years in office focused on itself – settling scores and devouring itself through its own treacheries? or

Will it (finally) do its job – and put the best interests of the NSW public first?

At the heart of this are four key problems:

First – a failure of leadership. We need a Premier with the authority to deliver an economic strategy and stimulus package, yet we have one imposed by Labor's powerbrokers without his own power base.

Second – a failure in conviction and competence. We need a government prepared to take on and resolve the fundamental problems confronting the State, but we have an administration with a record of doing the opposite.

As Michael Costa said at his last press conference as Treasurer he laid the State's financial shambles at the feet of his colleagues who he said had ignored the need for reforms for more than a decade.

At a time when we need safe and capable hands managing the State's economic fortunes, Labor's head office gave us Joe Tripodi and Eric Roozendaal.

Third – a failure in integrity and transparency. We need a government that is responsible, honest about economic management and committed to public reporting on performance, not one obsessed solely by media management and, in Nathan Rees' own words, running a 'secret State'.

Fourth – a failure to provide the foundations for economic growth. NSW needs an effective tax and regulatory regime, a genuine partnership with business and the provision of critical infrastructure – not the current inertia displayed in all three areas.

By having clear goals and direction and a determination to return transparency and accountability to government, the Liberal/Nationals intends to turn around the State - to benefit our citizens and to restore NSW status as Australia's 'Premier State'.

## **Foundations for Economic Management**

We will do this based on what drives us – our values and principles.

My colleagues and I are motivated by a belief that a key role of government is to create an environment where people have the opportunity to realise their potential – for their own benefit and that of society.

We understand that individuals – and enterprises – respond positively, innovatively and with ingenuity in such an environment. We believe people should have a right to make choices in life and government should, as far as practicable, support them in those choices.

All of this is not rigid ideology. It's about putting the interests of the public first.

And when it comes to our approach to business, I heed Nick Greiner's words that "In our understandable enthusiasm for economic rationalism, let us never forget that the only purpose of all this political activity is people."

I have a very clear view of how business and government should interact.

For me – the role of government is to provide the foundations for competitiveness and prosperity and the role of business is to be competitive and generate the prosperity that underwrites the living standards of every citizen.

For those of us in government, it's meant to be about maximising public value, just as those of you in business are about maximising the private value – different roles for government and business, but roles that are linked and are only achieved together.

It's not about a "you scratch my back, I'll scratch your back" approach. Nor is the Sussex Street model that sees business simply in terms of donations and makes decisions based on the depth of a cheque book.

A Liberal/Nationals Government will end this Labor culture and restore merit-based decision-making. I have already made announcements about donation reform and will be saying more in the future about how we will plan to open up the State and restore openness, honesty and accountability to government.

My pledge is that a Liberal/Nationals Government will have a front door open for business and the community – and a backdoor that is nailed shut. It's an important part of our goal of providing business with the certainty it needs to survive and thrive.

Our State's lack of economic competitiveness and the condition of NSW infrastructure and services highlight the results of Labor's failure to provide that certainty.

But let's be completely honest with each other. Our approach means there are going to be times when we agree, and times – as you have already seen – where we disagree.

If I look at the decision the Liberal/Nationals made to oppose Labor's energy sell-off, it reflected our view about maximising public value. Taking into account the uncertainty caused by emissions trading and then emerging problems in the capital markets, there was no certainty of fair return for the public.

Moreover it reflected concern about the ability of an incompetent and internally divided Labor Government to invest the proceeds wisely – a concern founded on Labor's failure to do just that with \$17 billion gained from windfall receipts.

In the future, as then, our overriding principle will be about maximising public value in all its various forms.

### **The Liberal/National Difference – Leading on Business Tax Reform & Cost Reduction**

The first prerequisite – and the foundation of any party seeking or holding office – is unity and unity of purpose.

There was some surprise when, after the last election, I set as a priority getting the Coalition's own house in order. But given our past history it was an important task – and, more importantly, it has been achieved.

But leadership is about also having a clear direction for this state – particularly on the economy and public finances. An effective strategy to manage the NSW economy and its finances is essential in guiding a government's planning and decision-making processes.

That's why in October of last year – two and a half years before the next election and with little interest from the media – the Liberal/Nationals launched *Planning for Prosperity*: an economic and fiscal framework we will pursue as a Government.

Included in the goals we have set are:

- NSW having a taxation rate lower than the national average; and
- an aggressive program to replace red tape, including a 'one-on, one-off' approach to any new regulations.

This framework underpinned our announcement last month for a one-off, 15% payroll tax reduction in 2009 – a move that would keep nearly a billion dollars in NSW business and improve their ability to protect thousands of jobs.

It was a responsible and practical response to our challenging environment given NSW has the highest tax load in the country and the recent Institute of Public Affairs report confirming that NSW taxes discourage business activity.

Responsible too, is something as simple as ensuring government accounts are paid on time.

It's unacceptable for the Rees Government to expect small business to wait months for bills to be paid, especially during these times. Nor is it acceptable for those working in our hospitals to beg, borrow or personally pay for critical medical supplies.

This is a problem across government, but is best optimised by our Health Department.

At the end of last financial year, NSW Health had \$75 million in accounts exceeding the State Government 'claimed' benchmark of 45 days for bills to be paid. Six months later, the figure had risen to \$132 million.

This situation highlights Labor's double standards: one rule for itself and another for business. It's a policy out of step with those of both the ACCC and Federal Government.

So today I announce the Liberal/Nationals' commitment to a mandatory code that government departments will have their invoices paid within 30 days or automatically have penalty interest added to the amounts owing.

To give contractors and suppliers' greater confidence agencies will be required to disclose their payment performance on a quarterly basis on the Department of Commerce's website. I'm determined that a Liberal/Nationals Government will pay their bills on time, every time, or suffer a penalty.

It's another simple, but necessary, step to support business when times are tough. It's another simple, but necessary, step in returning accountability and responsibility to public administration.

We will continue to put forward practical and positive measures aimed at cutting taxes and reducing business costs. And we will continue to argue that the work needs to start now – and not in March 2011.

Earlier this month the Liberal/Nationals received support for our approach from two unlikely sources:

The National Secretary of the AWU said:

*"Yes we need to consider ideas which normally would be anathema to Labor Governments - such as pay roll tax cuts."*

Only to be shortly followed by Michael Costa, the former Treasurer, who said:

*"The Government should focus its attention on providing an environment that supports business confidence. The quickest way for the Government to restore business and consumer confidence in through tax cuts."*

If Mr Rees wants to show some leadership and demonstrate he's serious about an economic stimulus package, he should start by adopting the Coalition's approach, including our plan to cut payroll tax to protect jobs.

## **The Liberal/Nationals Difference – Promoting Industry**

But the times demand we do more.

Government needs to ensure it is focused – full time – on the needs of industry and the jobs, wealth and opportunity the sector creates. Too often, under Labor, the strategy has been the opposite: to try and divorce government from responsibility for any action that can aid the competitiveness of industry.

For the Liberal/Nationals, the starting point is to ensure industry has an effective voice in Cabinet, someone who can give clear direction to those agencies responsible for State and regional development.

It's why Andrew Stoner, the State's next Deputy Premier, has been assigned the role. Andrew understands the significance of industry to the State's economy and, as Nationals Leader, he knows its importance to regional NSW.

It's why we will ensure a revamped Department of State and Regional Development – currently accountable to four ministers – will be refocused on identifying and fixing the issues facing business.

We're doing it because the Liberal/Nationals are determined to direct efforts to backing and building NSW, to maximize public value through more dynamic business activity.

We will start in areas where NSW has natural competitive advantages and we will seek to better leverage those advantages for the benefit of the State. Like you, we understand it's easier and less expensive to keep an existing customer than find a new one.

The Australian Innovation Research Centre has already identified five areas where NSW has competitive strengths: financial and business services, resources, the creativity industries, logistics and transport, and manufacturing.

In 2006, the State Government accepted these sectors as the focus of its Statement on Innovation. But what should have been a welcome change of approach, was more of the same: make the grand announcement with the media fan-fare, then move on and hope no one looks back.

The only result to date: last week's announcement of a federally-funded Creative Industries Innovation Centre. Beyond that all we have is the dumping of a proposed wireless broadband network, studies in two of the key sectors, and media announcements about a financial services institute at Barangaroo – a project that seems to be drifting in its own right.

NSW's inaction and inertia stands in contrast to work in other governments – especially Queensland's successful push on biotech and even Tasmania's efforts in ICT. We are being out-paced in industry development – and it is happening at the worst possible time for both the State and business.

Like businesses, we should also be looking for new customers too. Our goal must be to encourage growth and innovation across the economic dial.

While maintaining and enhancing existing industries, and in line with our *Planning for Prosperity* plan, we will foster the development of new growth industries. These 'future industries' provide an opportunity to grow the State's economic pie by diversifying our industrial base and harnessing the increasing skills of our community.

For example, the clean tech industry – or environmental management and technology – holds out the promise of converting significant environmental threats into social opportunities.

To foster their development, and to drive results, we will work with key high performance and potential high performance sectors to develop Industry Action Plans to. These plans will:

- identify and evaluate the existing drivers for, and barriers to, growth and innovation in the sector, especially those caused by government policies and practices;
- specifically consider the implications of the global financial crisis for the sector and how government and industry can work together to improve them;
- detail a program for government and industry to encourage sector growth and innovation covering areas including skills, regulation, R&D, infrastructure and policy reform; and,
- contain specific KPIs – with clear timetables and benchmarks to monitor progress.

It's all about focusing the energies and resources of government on growing the State's economy, wealth and job creation, in the knowledge that it holds the key to future prosperity and improved living standards.

Without such an approach all we're left with are the Labor stumbles, the stop-start media driven strategies and the impact of the Rees Government's inertia upon business and the community and your future.

Without a renewed focus on the needs of our e3conomy and business, we can expect repeats of the Newcastle ports fiasco where, after finally being forced to act, after a solution was identified, the Rees Government fails to implement it.

Labor lacks any plans for economic growth, it lacks the talent to recognise its importance to all that government does and the future of our State.

### **The Liberal/Nationals Difference – Partnering for Infrastructure**

As the dark economic clouds have gathered, along with many in the business community, I have publicly called on NSW Labor to commit to invest in infrastructure – to commit to a development-led recovery.

A responsive and responsible government knows that when the economy is under threat, decisive action – a clear direction – is required. Now isn't the time to back away from infrastructure development. It's the time to back it – and back it 100%.

It's needed not just to meet today's challenges, but also to ensure NSW is well placed to capitalise on these economic opportunities. It's needed for us to successfully compete for those opportunities against Victoria, Queensland, and others in our region of the world.

A commitment to a development-led recovery is especially needed when, after 14 years of Labor incompetence and complacency, NSW's infrastructure is so atrocious. From roads to ports to rail, from hospitals to schools, the State's infrastructure challenges are plain for all to see.

Today, the State Government is cutting ribbons on the Epping to Chatswood railway. What should be good news has again been blighted by Labor's bungling.

Taxpayers are getting half of the originally promised project, for twice the cost – and three years late. Commuters on the line are getting shuttle – not integrated – services and others will suffer a slashing of existing peak hour services as a result of Labor's failure.

It's part of a record of mismanagement, poor planning and project delivery that short-changes the public. Along with Labor inertia, it acts as a disincentive for the private sector to engage on the big projects NSW needs.

It's another reason why we have so very little to show for that \$17 billion of windfall revenues.

And, despite all the promises, nothing has changed under Mr Rees. The Labor machine continues to put its interests ahead of the needs of the public.

At the precise time when a kickstart was needed for major infrastructure in NSW, Mr Rees' mini-Budget did the opposite by axing the NW and SW rail links – critical projects that were central to Labor's own planning decisions.

Critical for their economic benefit to the State at this time. Critical to families and workers in those rapidly growing regions who lack the public transport they need and deserve.

The first sign that Nathan Rees had finally woken up to the reality of the global economic situation was earlier this month when he shot off to Canberra seeking a bail out.

Last week, Mr Rees announced – after a delay – an Infrastructure Co-ordinator General had been appointed. Rather than being a decisive act, reflective of a new vigour to get things moving, it was in Mr Rees' words nothing more than “a Commonwealth Government requirement”.

A requirement which is a clear sign that even Federal Labor doesn't trust NSW Labor to deliver or spend funds responsibly or wisely.

The powers given to Co-ordinator General Bob Leece signal that, despite all Labor's changes, despite the enormous powers it has given to its Planning Ministers, the system remains flawed. But even when prompted by the Federal Government, Mr Rees ignored the critical need to improve infrastructure delivery across-the-board. He still doesn't get it.

It's a refusal to act that leaves the State's major capital works program – including economic infrastructure like roads, ports and railways – caught up in the departmental delays, mired in the same Labor inertia, you have all experienced.

The Liberal/Nationals are aware of the critical need to get on with the delivery of infrastructure.

We know that NSW needs a comprehensive program for infrastructure development – and a framework that can deliver those projects and the improvements they will bring. We have a sense of urgency that is focused on need for improved infrastructure across the board, not just in those areas nominated by the Commonwealth.

We understand this is ideally best achieved within the framework of a planning system that works – a planning system that facilitates the expeditious delivery of infrastructure while still considering and reflecting the community's sense of self.

That it currently can't is one of the reasons I have already announced the Liberal/Nationals commitment to overhaul the State's planning laws.

But challenging times also demand that we challenge ourselves. And there is no bigger challenge we face in the infrastructure sector than improving the delivery lead-times. The goal should be to halve the lead-time for the construction of major infrastructure in NSW – and the work should commence now.

Today I announce the Liberal/Nationals are embarking on this critical task.

To assist us identify the barriers within government that delay or block the delivery of major infrastructure projects in NSW we will use the talents of someone who has extensive, senior experience in both the public and private sectors.

Working with business and the community, we have asked him to make recommendations on how we can remove the barriers to expeditious and certain delivery of infrastructure. I have pleasure in announcing that Max Moore-Wilton has agreed to take on this critical role and will be looking to industry and the community for input on our goal of halving lead-times.

Max will:

- identify the major barriers in the infrastructure process in NSW;
- put forward solutions to how these barriers could be removed or at least minimised within a planning framework responsive to communities;
- make recommendations on how approval processes involving State agencies can run concurrently rather than sequentially;
- identify interstate and world's best practice for infrastructure approval.

It's work that is vital to our goal of unblocking the infrastructure backlog that will face NSW when we are elected.

Equally essential is the need for a consistent, centralised approach to engaging the private sector in infrastructure renewal, enhancement of services and maximising public value. Labor's record with projects like the T-Card and the Cross City Tunnel is proof of the need to both improve the skills within the public sector and to improve partnerships with the private sector.

Labor's 'on-again, off-again' approach to the Coordinator General role confirms my belief in the benefits of a Partnerships UK model for NSW. We need to bring together and harness the expertise and energy of the best of the public and private sectors to drive the massive infrastructure task that confronts the State.

I understand the principles of risk and reward – and I recognise there is a tension in managing risk, return, public and private interest. But I also know there are many projects where the best skills, efficiencies, know-how and ultimately outcomes rest with the private sector or the not-for-profit sector.

In addition to major infrastructure projects, IT, logistics, property management, fleet management, maintenance projects and asset management are the types of areas where we can go further, faster – and do better in providing services and/or maximising value for the public.

So there should be no mistake: I am determined for NSW to again lead the way in economic and infrastructure performance. The NSW public deserve nothing less and a Liberal/Nationals Government will aim for nothing less.

We can't afford a continuation of the politics and pettiness that has shaped decision-making in NSW for too long. The Liberal/Nationals are determined to provide business with the certainty required for you to invest and grow and to provide the community with the services upon which they can rely with certainty.

In delivering this goal I will continue to work alongside an economic team including Andrew Stoner (State Development), Mike Baird (Treasury), Greg Pearce (Finance), and Brad Hazzard (Infrastructure and Planning).

It's a team that reflects the depth, experience and ability that exists across our Liberal/Nationals frontbench. A talented, united team that contrasts starkly with those presently charged with managing the State's affairs.

It's a team which is committed to raising standards in NSW, is determined to govern in the public interest, for the public good and always maximise public value, and resolute in wanting to increase opportunity for the people of this State.

## **Conclusion**

Ladies and gentlemen, I have outlined some of the practical and positive measures I believe are needed in NSW now – lower business taxes and red-tape, more promotion of industry, and a no-nonsense approach to infrastructure delivery.

It's what needs to be done because a strong NSW economy is the foundation for a vibrant and strong NSW community – one that enjoys the best quality of life and limitless opportunity.

It's what needs to be done because our taxpaying families and businesses deserve a decent return – the quality services that economic growth enables.

And, it will be done.

It will be done by a Liberal/Nationals Government that understands the need for sound economic management and is focused on fixing the fundamentals:

- the quality of trains and buses that get you home to your family on time;
- the roads you can rely on for more than traffic congestion;
- the hospitals where you can count on timely, quality care;
- the schools that set our children up for the future, and;
- the communities where you can feel, and be, safe.

Despite the mountain of problems facing NSW, like you I still see our natural advantages – including our very gifted and diverse citizens – and I believe in what can be achieved.

It just comes down to this for my future Government:

We will show the leadership.

We will act with conviction and diligence.

We will do the hard work as a united team.

And we will get NSW back to where it belongs: as Australia's Premier State.

Yes, we will.

ENDS/