

**Interview with Barry O'Farrell, NSW Premier
Sky News Australian Agenda program, 5th June 2011**

Peter Van Onselen: You've been in the job for two months. There's already been a fair few controversial decisions, one of which was to gag debate in the upper house, the first time in over 100 years that it's happened. Why did you think that was so important to do?

Barry O'Farrell: This was a four page piece of legislation that had been debated for 29 hours with speeches up to six hours. So we're not going to put up with members of parliament abusing the processes simply to play political games. The people elected a new government in March to get on and fix this state. We're determined to do so, and we'll use the rules, and those rules allow these things to happen. The Upper House is one of the few chambers anywhere in the country that doesn't have speaking limits. It was being abused by Greens and by Labor supporters to try and avoid . . .

Peter Van Onselen: . . . But you're the leader of a conservative party, a lot of conservatives in the Upper House for the Liberal Party in NSW. It's not very conservative to do something that hasn't been done for over 100 years.

Barry O'Farrell: Well the rules are the rules, and it's a bit for rich for the Greens and the Labor Party to be complaining about the use of archaic rules, when they use archaic filibustering rules to try and avoid a debate on an important bill.

Paul Kelly: How important was it for you as Premier to introduce this new public service wage measure? And what are the fiscal benefits and the political risks you run?

Barry O'Farrell: Well the importance of this is all about the bottom line. So over the past four years the same wages policy applied where over and above 2.5% increases, further increases could be paid if productivity savings were made. Agreements were entered into between the union movement and the government to do that, wages were paid, but only half of those savings were delivered. That cost taxpayers \$900 million. Treasury advised us that if that continued, it could cost the budget bottom line \$1.96 billion. That's a lot of money that should go into services, should go into recruiting more nurses, more police, more teachers, to provide better services to people across the state.

Imre Salusinszky: Premier, on the 26th of March you had the biggest landslide we've ever seen. You won the state on first preferences, and yet you're having trouble in the Upper House. These micro parties seem to want to want to pick the eyes out of some of your legislation, not just this where they've got an exemption for the cops, but also the workplace safety. How can you get through this blockage? And does it frustrate you?

Barry O'Farrell: Look, whether it's OH&S laws, whether it's this one, whether it's solar bonus, it's clear it will be the Upper House where we don't have a majority that will determine whether or not legislation is passed and in what form. And although some describe it as gnomonic, some describe it as relating to Macbeth, the fact is that 95% of something is still better than 0% if you can't get your bill through. So I'm happy to sit down and talk, I'm happy to sit down and listen to see what can get through. But it's clear, whether on any issue, if we don't get support of the Upper House, whether the Labor Party who've shown no signs of being constructive yet, whether the Greens, and

that's not support you always want to have, or whether the other four conservative crossbenchers, our legislation will fail.

Paul Kelly: A number of people have been surprised by the tough stand you've taken on this wages productivity issue. Is this an omen to the sort of Premier that you intend to be in reforming terms?

Barry O'Farrell: It's probably a reflection, Paul, on the media coverage I had over the past four years, where everyone said that I simply blew in the wind. The fact is I understand the importance of a bottom line. The fact is we went to the election with a range of policies designed to clean up the mess that Labor left. It would be easy just to take the simple decisions and not make tough decisions. It wouldn't improve the state.

Paul Kelly: So are you a Premier for the tough decisions?

Barry O'Farrell: We will be a government for tough decisions, we will be a government that protects the public interests, we will be a government that seeks to deliver those services that we know are important in people pursuing their own dreams and goals and aspirations.

Peter Van Onselen: Union leaders like Paul Howes though, and he did this in his column today in the Sunday Telegraph, are saying that these are not things that you took to the election, that the sort of workplace adjustments that you're putting through at the moment are not things that you campaigned on.

Barry O'Farrell: But the point is, this was Labor's wages policy. We determined to apply Labor's policy and not give up \$900 million worth of benefits that unions and government agreed to. So it's a bit rich for Mr. Howes or any other union just to say that we don't have a mandate. The biggest protest we've seen was not over the last couple of days in relation to what's gone on in the Upper House, it was on the 26th March, where people gave us an overwhelming mandate to fix this state, to clean up the sort of financial and other messes Labor left it in, and we're determined to do that.

Michael Stutchbury: Premier, your wages policy is a 2.5% increase unless productivity gains can be demonstrated. Last week on Friday Julia Gillard's federal Fair Work Australia granted a 3.4% increase, no strings attached, to all workers on award wages all the way up the scales. Does that make it harder for you to make a tougher 2.5% wage policy stick?

Barry O'Farrell: Look I think it confirms in one sense what Bob Carr and Michael Egan complained about, which is where you have a wages policy and where industrial commissions basically ignore it. Ultimately this has to be paid by somebody, and Michael Egan I think said that actions of the Industrial Commission in granting over and above inflation wage increases had added something like half a billion dollars annually to the cost of running NSW. That's unsustainable in the long term.

Michael Stutchbury: But in the labour market in NSW, you're competing for workers, it's a tight labour market. Does it make it hard for you to get the best workers if elsewhere wages are rising faster than your 2.5%?

Barry O'Farrell: Well it does, except since 1997 public sector wages on average across the state have increased by 20% at a time when private sector wages have increased by 11%. Our increase was 50% bigger than that in Victoria, a third bigger than that in Queensland. But we are determined to attract the best and the brightest to help us to deliver the best services of NSW. We think we can do that.

Paul Kelly: If we can just switch the issue to the carbon tax proposed by the Gillard government, as NSW Premier what's your considered view of the impact of the carbon tax on NSW? And what will you do about it?

Barry O'Farrell: Well Frontier Economics have done work which shows that to 2050 the impact in the Hunter Valley for instance will be the loss of 13,000 jobs, \$1.2 billion. The Hunter Valley, according to Frontier Economics, will be hurt two and a half times worse than any other region in Australia. The Illawarra is hurt twice as much as any other region in Australia. So this is important for us in terms of jobs, in terms of manufacturing industry, but also of course in terms of the costs that it's going to add to families. So I think part of the mandate that we got on the 26th March was our clear argument against a carbon tax. I ran around with a billboard that had Julia Gillard and Kristina Keneally's face on it, making clear our opposition to a carbon tax. And it's clear that it's bad for jobs, it's going to push prices up, and I think families across this state get that . . .

Paul Kelly: . . . But just on this point, does this mean there's a role for state governments in terms of engaging the Gillard government on this issue? What do you want the states to do about it?

Barry O'Farrell: I've asked and written to the Prime Minister that when the COAG meets on 15th July that she should brief the states on her plans for the carbon tax, her plans for compensation, her plans for how she's going to deal with the job losses in the steel industry and other industries, and how she's going to cope with the increased pressure on families across this state.

Paul Kelly: What happens if you're not satisfied with that?

Barry O'Farrell: Well ultimately we have to look to see what we can do. But Paul, don't be surprised if a NSW Premier stands up for NSW jobs and NSW families in the face of federal action that's going to hurt both.

Peter Van Onselen: Premier, you made your opposition to the carbon tax clear ahead of the election. What's your position on climate change? Your whip in the Upper House, Peter Phelps, has got some pretty strong views. Whips have been in the press lately for the Liberal Party federally as well. Peter Phelps said we should not be so surprised that the contemporary science debate has become so debased; at the heart of many scientists lies the heart of a totalitarian planner. He goes on to compare some of them to Lenin, proclaiming what must be done. Do you agree with that?

Barry O'Farrell: No, I don't. It's unacceptable. I think scientists do an extraordinary job for this country and we've boosted . . .

Peter Van Onselen: . . . Have you reprimanded him?

Barry O'Farrell: We've boosted medical research in this state by \$20 million. Look, there will always be people in political parties who express views at times that either they are strongly committed to, which are wrong, or express views to try and get a headline, which later on they regret. I'm sure that Dr. Phelps understands that those views aren't mainstream views. They don't represent the policy of the Liberal Party and they certainly don't represent the way in which I address these things.

Imre Salusinszky: But Premier, all of your problems with the solar bonus scheme illustrate the other issue, that these micro schemes, these incentive based schemes, they can be a world of pain. So you're not a denialist. Where do you stand on climate change? You won't have the global thing, but you've seen the problems of the micro thing.

Barry O'Farrell: The point is that, you know, you're absolutely right, the solar bonus scheme, meant to cost \$355 million, now blown out according to that Duffy-Parry report to \$1.9 billion, has at least underlined that the cost of alternative action has to be borne by someone. I think the best way- Look, I do support the direct action that Tony Abbott talks about. I do think that government has a leadership role here that can be played. But there is a cost associated with it, and at a time when you're going into a budget process, and we've delayed our budget until 6th September, where we have to ensure that expenditure is brought under control, it's difficult for a government to show that leadership role because of the shortage of money.

Paul Kelly: Don't you accept that direct action, the sort of direct action program that Tony Abbott has talked about, has got its own risks? We've just had Ross Garnaut on the program arguing that this is a high cost, ineffective way of tackling climate change.

Barry O'Farrell: I'm not sure that the alternative being proposed by Mr. Garnaut is any less high cost or any less risky. Getting out of bed each day is risky. The fact is that the federal Liberal National Party have outlined an alternative method. My concern remains though the impact of the proposals coming out of Canberra in relation to jobs and families' costs here in NSW, and I think at this stage they . . .

Peter Van Onselen: . . . But it sounds like you're also concerned though about direct action. You don't sound like you're exactly on the wagon in terms of the value of that.

Barry O'Farrell: No, my point is that direct action clearly has a cost. Schemes to encourage renewable energies clearly have a cost. In an ideal world with a booming economy those costs can be met. But that's not what we have here in NSW, that's why I'm simply saying, Peter, that we do support that. We are keen to support that. We've just extended the buy-back of inefficient fridges for another 12 months. But you've got to cut your cloth to suit the times, and we're trying to do that at a time when we're also trying to rein in expenditures from the Labor Party that have been out of control.

Michael Stutchbury: But given that Canberra is under intense budget pressure, just as Sydney is under intense budget pressure in NSW, why does it make sense to go a Tony Abbott scheme of direct action which piles the cost onto the federal government? It's cost billions and billions of dollars to try and use the budget to reduce carbon emissions.

Barry O'Farrell: Well my concern is the alternative being proposed is one that will devastate jobs in states like NSW, will put extra costs of families across NSW, and I

think both are unacceptable. So I chose state politics for a reason, which is to focus on the direct needs, the services that people in this state want, and that will be my focus. I'll leave to Tony and to Julia the broader federal issues. But what I understand from the actions being proposed by the Labor Party federally is it will devastate jobs in NSW, it'll push up prices in NSW, which will devastate families.

Michael Stutchbury: But if you take electricity prices, isn't the much bigger impact on electricity prices compared to a carbon tax, doesn't the much bigger impact come from whacky state government schemes, which you're trying to get rid of, the solar panels, and by regulatory failures in the transmission and distribution system of the electricity industry, of your own state electricity industry? Isn't that where all the pricing pressure is coming from, before we've even got to a carbon tax?

Barry O'Farrell: Well, it's a combination of all, and some of those whacky schemes are actually run federally, so the IPART report release that was delayed during the election campaign . . .

Michael Stutchbury: . . . But can't you get rid of all those things?

Barry O'Farrell: What I was about to say was 50% of the extra price increase in electricity this year is due to federal environmental schemes, and yet the federal government doesn't give us any compensation for that. So-

Michael Stutchbury: Shouldn't you be pushing to get rid of that, and that would reduce the pressure on electricity prices?

Barry O'Farrell: I'm happy to support any low tax proposal that comes along, because I understand that the more you put up taxes, the more pressure you put on families, at a time when they're struggling with all their bills.

Imre Salusinszky: You're got an inquiry looking at these issues right now under Judge Tamberlin. If he were to say that the price pressures on Sydney and NSW families could be reduced by privatising transmission and distribution, will you look at it?

Barry O'Farrell: Absolutely, just as if he said it would be best handled by buying back the assets sold by the former government. We've not given Commissioner Tamberlin any riding instructions, that would be inappropriate. What we've asked him to do is get to the bottom of the sale that Labor went into, and then make recommendations about the best course forward. But Imre, I'm not going to second-guess the Tamberlin inquiry, and we've said that the Tamberlin inquiry will be released and it will guide us as we move the electricity industry to the next phase.

Paul Kelly: But what you're saying is you do have an open mind on privatisation?

Barry O'Farrell: Nothing has changed, Paul. I've said this from day one, from the moment we announced our commitment to an inquiry last December, there should be an inquiry and that inquiry shouldn't be limited in terms of what it looks at. My personal preference is for it to be back in public ownership, but we've asked the inquiry to look at the whole thing.

Paul Kelly: Okay, I'd like to ask you about the mining tax. What we've seen is the WA Liberal Premier, Colin Barnett, is prepared to lift state government royalties. What about NSW? What's your general attitude on this? Are you prepared to consider something like this?

Barry O'Farrell: I don't think I'll flag the budget in advance of the budget, but you wouldn't be surprised that as state Premier I'll seek to protect our sources of revenue, whether those revenue sources are mining royalties, or frankly whether those revenue sources are taxes that apply to gaming and . . .

Peter Van Onselen: . . . Can I just interrupt though? Does that mean that you have an open mind to royalties going up on coal for example? I mean that's really the nub of the issue here for the federal government.

Barry O'Farrell: You know, royalties are a state taxing instrument. They have gone up, they have come down, and as far as I'm concerned that's how it should be. That's an issue for state governments to determine, and it's not an issue for us to be limited by federal governments. The same applies in relation to the gaming tax. One of the reasons that we're strongly opposed to direct action if you like by the federal government to take over regulation and gaming is the impact upon our bottom line.

Peter Van Onselen: So you are prepared to put royalties up on coal if it suits you and NSW?

Barry O'Farrell: I'm prepared to defend state revenues in the face of increasing attacks by federal governments. I'm not going to flag whether royalties are going up or down, I'm not going to flag whether the gaming tax is going up or down, but I'm happy to flag the fact that if the federal government seeks to take control of gaming, we will fight to maintain state control, we'll fight to maintain protection of our sources of revenue, and we'll continue our programs to deal with problem gamblers.

Peter Van Onselen: Can I ask, do you acknowledge that you've come under significant pressure from your federal Liberal colleagues to put royalties up on coal on the back of Colin Barnett doing it for iron ore?

Barry O'Farrell: I haven't had a single conversation with a federal colleague about that matter.

Paul Kelly: Can I just ask, I know you're not going to make an announcement now, but are you attracted to this idea of increasing royalties?

Barry O'Farrell: I'm attracted to the idea of boosting the state's economy, because if we can grow the state's economy we get more revenue, and I think the way to do that is not putting up, but it's keeping taxes as low as is possible.

Peter Van Onselen: Have we entered a new era? Are we in an emerging era of strengthening federalism within the Liberal Party as we see more Liberal Premiers coming to the fore?

Barry O'Farrell: The historic answer to that, Peter, is that that works well until there's a federal Liberal government, and then you get centralism back in place! So look, I think

the mistake being made at times is that all three Liberal Premiers will always agree, the fact is, it's competitive federalism as much as it's cooperative federalism. We'll have different perspectives. A resource-rich state like Western Australia will have a different perspective to Victoria and NSW. We just need to make sure the system works, and I've said to Julia Gillard, I'm happy to work with Julia Gillard to deliver better outcomes for people of NSW, regardless of whether we're Liberal or Labor members.

Paul Kelly: But in terms of your overall disposition, are you attracted to the concept of competitive federalism?

Barry O'Farrell: I think competitive federalism is good. One of my concerns that I've expressed in the past is that your national uniformity sounds fine, but what drives best performance is a degree of competition. So I've said I'd be very happy if payroll tax was levied in the same regulatory way in every state. But I'd always leave it to the states to determine what the rate is, because that's likely to drive rates down and not have higher taxes upon people.

Imre Salusinszky: Premier, a Sydney issue that's hit the papers this morning concerns the Lord Mayor of Sydney, Clover Moore, and her potentially conflicting position as the state MP for Sydney. What's your view about her particularly, but also the general issue of the number of mayors and councillors that we have in the state parliament here?

Barry O'Farrell: I think people should have one job and I think being a member of parliament is a full time job and I've encouraged my colleagues, where possible, to apply that. The difficulty is where you have a state election that follows a council election is to find a way that doesn't incur hundreds of thousands of dollars of costs in local council bi-elections. So I think one of the issues that the local government minister should look at before council elections due next year is how and if we want to work out a way to address the situation, so that if you are elected to state parliament you end up with one job, not two jobs.

Peter Van Onselen: If Clover Moore were here to defend herself, she would argue, I'm sure, that her having her two jobs, Lord Mayor of Sydney and MP is no different to you having two jobs, Premier and MP as well. What is the difference, other than the fact that the salary increase for her goes to charity?

Barry O'Farrell: No, the difference is that if you're a constituent in the seat of Sydney and you've got a concern about your local council, and I have to say as a local member about 30% of the work that comes in my door is about the local council, who do you complain to?

Peter Van Onselen: Conflict of interest.

Barry O'Farrell: Because there is a conflict of interest there. This is not about Clover Moore, this is about whether or not people can do two jobs. There are mayors who sit on both sides of the parliament currently, and my preference is that they have one job, that being a member of parliament, to represent their residents in the state parliament.

Paul Kelly: But what you're saying in relation to Clover Moore is that she does have a conflict of interest. That's what you're arguing.

Barry O'Farrell: Well she clearly has a conflict of interest and that conflict of interest has been revealed on a number of occasions, including by those people who live in her electorate who oppose the bike lanes that the City of Sydney has been installing.

Peter Van Onselen: Are you happy with your first 60 days in the job? Has it been what you want it to be? You mentioned getting 95% of what you want is a good pragmatic thing. You can't possibly hope in the coming four years to get 95% every time. John Howard I think set the bar at 80%.

Barry O'Farrell: I'm pretty unhappy about the first 60 days, because we lost that first State of Origin match! We've made mistakes, we've got things right. The point is you need to learn, so I say to my kids, I say to my staff, you know, don't make the same mistake a second time, because it shows there's been no growth.

Michael Stutchbury: Looking forward, can we expect moves in areas which have really annoyed Sydneysiders over the years? You've moved on I think contracting out ferry services, something that Labor really struggled or blocked really. Will you be looking to have any form of similar approach to say the rail network, which presumably the Liberal Party would've seen as being under union control and being inefficient? Will you be looking to make some really serious moves there on the Sydney metropolitan rail system?

Barry O'Farrell: We've not proposed to contract out rail services, but within Gladys Berejiklian's proposal for the integrated transport authority, there will be greater contestability in relation to things like maintenance and the like, which I think will demonstrate not only better value for money for the taxpayers, but hopefully a better level of service that people are able to get from our transport services.

Imre Salusinszky: Back in '07 there was the much disputed conversation between Kevin Rudd and Morris Iemma, where Rudd supposedly says 'Morris, just run dead for six months; don't do too much, don't create any waves, let me get into The Lodge and then all will be well.' We've been talking in various ways this morning about the tough things you're doing, the blowback you're going to get on them. Could this make life difficult for Tony Abbott? I can already see Labor positioning itself to point to you and say look, this is the kind of puppy drowning, Liberal economist rationalist, that you're going to get in Canberra . . .

[over-talk]

Barry O'Farrell: Well Imre, if it does, it's something that I will regret. But what I won't apologise for is putting the interests of NSW first. You know, once you're elected, you're elected to govern for all. My responsibility is to the state of NSW. The only way to fix the mess that we've inherited from Labor is to make tough decisions, tough but fair decisions frankly. We'll continue to do so, and I'll also continue to give my support to the federal Liberal National Party, because there's no doubt that what this country needs more than anything else is a strong majority government with clear direction.

Peter Van Onselen: Premier Barry O'Farrell, thanks for joining us on Australian Agenda. We appreciate your company.

Barry O'Farrell: Thank you.

