Address by
Hon Barry O'Farrell MP, Premier of NSW
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There’s nothing like a global financial crisis to focus the mind on federation as sinner, stabiliser, or salvation in a challenging future.

The dysfunction of federated Europe was captured in the image of the clenched fists and taut jaw of IMF President Christine Lagarde last week, as she eyeballed the Greek Finance Minister at the EU,

urging the tough decisions any rational economy knows is needed.

But if it is true, as economist Judith Sloan says, that

‘federated economies outperform the economies of unitary states’,

what lessons should we be learning to ensure our Australian Federation is never the sinner, and always better than just passive ‘ballast’ in our nation’s domestic and global fortunes?

It’s a special pleasure to be invited to launch this book - Tomorrow’s Federation: Reforming Australian Government - at this time,

as we head to a COAG meeting tempered by the reality of our falling national productivity, and

the evidence of what happens when elements of a federated polity are allowed to coast on the value created by others,

while actively taking decisions against the interests of the whole.

Australians might wonder how a federation in which some jurisdictions have 14 pension months a year, actually functions?

Just as they wonder why our Australian Federation was saddled, unilaterally and without any consultation or costing, with a carbon tax

which hits our greatest competitive advantage – cheap energy.

It’s obvious that what we are all grappling with – whether in Europe or Australia - is productivity

the ratio between our national output, and what is required to produce it.
This is why I called almost exactly a year ago for COAG to focus on competition and collaboration –

not by more direct control from Canberra, but by states and territories leading that injection and collaboration.

My support for COAG is strong – but it is conditional.

COAG cannot be allowed to become a fourth level of Government and it must earn its keep;

and neither should the Commonwealth – or our courts - be uncontested in what many of the book’s contributors identify as furthering ‘the imbalance at the heart of our system of government’.

So it’s time for the Commonwealth to give up the top-down dictats;

and lighten up on input controls on national partnership spending so as to trust their fellow Australians in six states and 2 territories to do things their own way, locally.

A good start would be for the Commonwealth to relinquish the in-group game of controlling, from within minority government, the review of the Fair Work Act.

The productivity figures tell us why:

Australia’s productivity performance, however measured, has deteriorated substantially since the late 1990s.

Labour productivity for the Australian economy as a whole grew at 2.1% per annum over the ten years to 1999-2000; dropping to an average annual rate of 1.5% over the ten years to 2009-10.

The cost and value of Australia’s working men and women to our economy, and the way in which we organise and reward our precious energy and skills –

should be one of the most important pieces of research we can do if we want to grow our opportunities, choices and quality of life, wherever we live.

We should be making decisions based on evidence and data – not on the internal daily skirmishes and stakeholder interests of a Prime Minister.

Which is why I believe the highly respected Productivity Commission should be asked to undertake the review of the Fair Work Act.

Dispassionate, evidence-based, nationally focussed, it would make recommendations that give us the facts

on which politicians and the community would then balance their decision making in a broader context.

My further request of the Prime Minister, as I said a year ago, is to allow a majority of Australian States and Territories, through COAG, to refer matters to the Productivity Commission for expert advice on priority issues.
Henry Parkes, in advocating federalism and an Australian government, used the example of creating a national military force from disparate colonial armies, in the greater interest. As he said, ‘all great questions would be dealt with in a broad manner’.

He was confident the Federal Parliament would ‘rise to a just conception of the necessities of the case’, but that ‘the thing would have to be done, and to put it off would only make the difficulties greater’.

Wise words and good principle.

Henry Parkes led us to the correct conclusion in pursuing a federation of colonies.

The whole is greater than the sum of the parts.

But he is also right that putting off what we know must be done, does not make it any easier.

I want to achieve faster reform where possible –

which is why NSW and Victoria signed a reform partnership last month,

to support our COAG commitment but press ahead where we can to fix things we know need fixing.

And the invitation is open to any other jurisdiction to join us to fast track improvements and look to other bilateral opportunities.

This is where the real genius of the states should lie – in what Paul, Andrew and George call the ‘harness[ing] of the distinctive benefits of diversity and innovation’.

If one state, or two states together, act to create a competitive edge, to push their own competitive advantages within a federated system, we will have the best of both worlds.

Competitive federalism could equally be called productive federalism,

if states and territories combine to keep the Commonwealth confined to those limited things which the people, through Article 51 of our Constitution, have asked of it.

And to let us all compete using our local advantages, honed by local competitive autonomy within an agreed federated envelope which delivers more in global competitive advantage than it removes in local diversity.

That must be the litmus test for our decisions as a federation. Does the reform add to our competitiveness and productivity? Domestically and globally?

I’m sure that when Henry Parkes gave that speech at Tenterfield he never imagined 123 years later that this new invention would need 3 editors and 19 constitutional academics to make sense of where we should be heading!

But I’m confident that with his appreciation of the vital energy of people engaged in enterprise and wealth creation, and his affinity with the values and aspirations of the free traders,

he would have applauded any moves that helped States stay diverse, innovative
and competitive

in a Commonwealth in which the Australian government stuck to those ‘great questions in a broad manner’.

I’m told that chapter authors sometimes feel they do the hard work so the editors get to summarise a few of the ideas and take the glory!

In this federation of diverse and innovative chapters, hearty credit and congratulations where they are due,

thank you for your intellectual contribution to this essential debate,

and like our Australian Federation, best wishes for the book and I hope that like me, your readers will see that the whole is even greater than the sum of the unitary elements!

ENDS

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i Judith Sloan ‘Co-operation is key to fixing flawed federal financial relations’, in The Weekend Australian Jan 14-15 2012
iv Saul Eslake: Presentation to the RBA, August 2011 (Source: NSW Dept of Finance and Services)