

Inaugural Liberal Leaders Business Lunch

Hon Iain Evans MP

**Hilton Hotel
Victoria Square Adelaide**

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Parliamentary Colleagues, guests - and in particular to Susan Nakawuki and Nicholas from Uganda it is great to see you here and I hope you enjoy your stay in beautiful South Australia - thank you all for attending today's lunch.

Can I say on behalf of the Liberal State Parliamentary Team how it is great to see so many here supporting the work we are doing in preparation for the March 2010 Election. I can tell you from the State Parliamentary Team's point of view we really do appreciate the great show of support and behalf of the team I extend our sincere thanks.

I entered politics 13 years ago in 1993 following the aftermath of the State Bank collapse. I had been running a family business with my wife Fiona, with brothers David and Andrew. We operated a building, plumbing and retail business that we built up to have one hardware store and three paint shops.

We started the business from scratch, three brothers, one car, we subcontracted ourselves as builders and plumbers all over the place, and did all those tasks we needed to grow our business.

We did the quotes, we dug the holes, we built the houses and we chased the money. It was a pretty typical family business. Three brothers and their partners mortgaging everything they had to have a go at running their own show.

By 1993 when I entered politics, the business had been running for 10 years, we had survived the Paul Keating inspired recession that we had to have, we had survived the 17 and 18 per cent interest rates, and we had survived the collapse of the State Bank.

They were tough times for all small businesses in South Australia but we, as a family, really enjoyed the cut and thrust of running our own business and that great sense of independence and achievement that running your own business brings.

I entered politics really as an advocate of my local district and very much as an advocate of small business, and the business community more generally.

South Australia is very much a small business state with some 80,000 small businesses and I believe one of the great defining differences between the Liberal Party and the Labor Party is that in the State Parliamentary Liberal Team the vast majority of our members come from a small business background of some description.

And I guess that's why the Liberal Party has always been the party which best supports small business, economic development, reward for effort and wealth creation.

The second reason I entered politics was to build better communities. I was very lucky at the age of 18 to be introduced to the service organisation called Apex.

It is an organisation which has ideals based on service and citizenship. I was lucky enough to serve as its National and State President and this took me all over Australia visiting communities.

That experience showed me that there can be great benefits to communities, to families, to individuals when citizens take an interest in their local area, support those organisations and events that make up the fabric of their community and extend the hand of help to those that are in need.

I was very fortunate to have parents who have, over their life, been great examples of community builders.

My observation is that with strong communities people are less likely to fall through the cracks, there is less likely to be crime, there is greater neighbourhood and family support, and there is more pride in the district generally.

It is for those reasons I am involved in the aged care hostels, the local hospitals, the sporting groups, the school councils, the kindergarten and the child care centres. Because I very much see those community organisations as the foundation stone on which our society is built.

My view is that politics is very much a higher form of community service and it is very much about building better communities.

The third driver of my entry to politics was indeed families. I am a fifth generation and very proud South Australian. I live in a little place called Heathfield in the Adelaide Hills where I have lived my whole life.

My wife Fiona and I have been married 22 years and we have four children aged 14 to 21. We understand the pressures on modern families. And as society becomes more complex the pressures become more complex. I am really interested about how governments can improve the lot of average families.

That is why I am a bit annoyed with Premier Rann's latest distraction running for the national president of the Labor Party while at the same time Labor's Budget seeks to cut swimming programs, water safety programs and music programs in our kid's schools. I think it was short-sighted, I think it is mean spirited and I think it shows how out of touch Jane Lomax-Smith as the Minister for Education is with the average family.

It is rather interesting how life experiences shape political views. One of the first experiences which shaped my political views happened shortly after I finished school. After completing my education at Heathfield High school I attended the Institute of Technology which is now the University of South Australia to complete a degree in Building Technology.

I remember being told on the day that I enrolled that I had to join the student union. I had no choice, I did not want to join the union but I had to join the union. It was just something foreign to me to be compelled to actually join something.

The second incident which shaped my political views happened when I applied for work on a building site and was told that I would get paid something that was called the award. And, in those days the award paid you a rate of pay regardless of how much you worked or how little you worked. There was no reward for productivity and, I will admit as a university student there was some attraction to getting paid a lot of money for not doing much on occasions. But on the whole no reward for productivity just seemed to be the wrong philosophy.

The third experience was when I actually got kicked off the building site because I wasn't a union member. As a naïve teenager when a union official approached me and asked to see my ticket the only ticket I had was a bus ticket and when I gave it to him he did not see the funny side of it. And that was the end of that, I was off the building site and had to try and find work elsewhere.

But I guess those three experiences underpin Liberal values - the freedom of the individual, choice and the reward for effort. It is interesting that the next federal election is going to be very much based around these same issues. Industrial relations reform is going to be central to the next federal election and that argument will all be central - freedom of the individual, choice and the reward for effort.

The Prime Minister's argument, in its simplest form, is that he wants to give individuals the opportunity to negotiate how they are rewarded for their own work effort. Mr Beazley and Mr Rann want to take away the individual's right to choose. I think the principle the Prime Minister is arguing for is right, it is right for Australia and it is right for South Australia.

Looking to the future, Australia needs a more flexible industrial relations system. The more flexible it is the better Australian families will be.

I look at my own family as an example. I am reasonably busy, Fiona is studying an accounting degree part-time and works part-time, and we have four children. So we have football tonight, rugby tomorrow night, rowing, dancing, ballet, drama... and on the weekends we seem to be an endless taxi going from this gathering to that gathering.

The more flexible the industrial relation system, the more choice it gives us, the more it suits our lifestyle as a modern family and the more it is likely to suit the lifestyles of many other modern families. John Howard's view, and my view is, that families are best situated to make their own decisions about how they work. Not Mr Beazley, not Mr Rann and certainly not the unions through collective agreements.

I say to the business community regardless of the federal election result, we are likely to get a national industrial relations system anyway.

I know that Mr Beazley is running around the country saying he is going to tear up the new industrial relations laws and make them fairer, whatever that means is yet to be defined, but what he is not saying is that he is going to tear up the laws and hand them back to the states. So, I think it is clear when the next federal election occurs sometime in the next twelve months; the electorate will have to decide if they want an industrial relations system run by John Howard or if they want a national industrial relations system run by Kim Beazley and the unions. I don't think industrial relations will be coming back to the states.

Come 2010 we are not sure what part of the industrial relations system will be left to the states to handle but whatever it is, I can tell that you our state policy will be built on those two fundamental principles - flexibility and choice.

I don't know what it is about the Labor Party and choice - but I noted Labor's federal spokesman Craig Emerson the other day outlining how the Labor Party are now going to make it compulsory for all students to complete year 12.

I do not support this compulsory notion of one size fits all. I think it should be up to the family and the student concerned once they are properly informed about their choices, to decide whether they wish to go on and do Year 12 or not.

I think this is fairer on the student, I think it fairer on the teachers involved and it is certainly fairer on the other students who are more academically attuned and who want to do year 12.

There are plenty of good examples in this room of people who did not complete year 12 who have gone on to have fantastic, successful careers.

Take my brother, who is a plumber. He left school before year 12. He was cleaning out a sewage pit and he got a phone call from the media who had heard a rumour that he was interested in entering politics – this is some years ago. He advised that there were two very good reasons why this wasn't the case. The first was - that although he happened to be standing in a sewage pit at the time he could go home and wash the sludge off where is in politics he couldn't. The second reason was - that he wasn't interested in taking a pay cut. And there is some truth in that.

There are plenty of good career opportunities outside of year 12. Only last week I was at Murray Bridge, speaking with a training organisation and they told me about a 17 year old backhoe operator working at Roxby Downs and earning \$75,000 a year - at the ripe old age of 17.

I invite the Labor Party to test their policy, go to Roxby Downs and tell that 17 year old he has got to go back to school and finished year 12. It is nonsense, I think – compulsory year 12.

The other area where the Labor Party has a fundamental problem with choice is that of shop trading hours.

On the holiday Monday just gone the Advertiser made interesting reading.

There was an advertisement describing what was open and what was closed.

Whyalla was open, Harbour Town was open, Glenelg was open – Adelaide was shut.

The Liberal Party believe retailers should be free to decide when to open their stores. They are the ones taking the financial risk. Put aside special religious and community days such as Christmas Day, Good Friday and the morning of ANZAC Day as examples, but ultimately the retailers are taking the risk, they should be free to decide when their stores are open. We will continue to push for the deregulation of shop trading hours. It is all about keeping the centre of Adelaide alive and vibrant. It just seems nonsense to spend \$31 million on a tram down King William Street to take shoppers to shops that are closed.

As I said earlier I have a keen interest in small business and on that note I want to take the opportunity to touch quickly on WorkCover and the State Budget.

The mismanagement of WorkCover is of great concern to me and I know it is of concern to the business community. When the former Liberal Government left power in 2002 the unfunded liability of WorkCover was around \$86 million. In the last two weeks WorkCover have announced an unfunded liability of a touch under \$700 million at \$694 million. That is a ten fold increase in about five years.

Typically of the Rann Government the announcement of WorkCover's liability was snuck out at 5 o'clock on the Thursday before the AFL grand final – a strategy to minimise media reporting.

South Australia has the highest WorkCover levy of any state in Australia at three percent. Michael Wright as Minister, and Mike Rann as Premier need to explain to the South Australian business community why WorkCover's unfunded liability has increased to \$700 million. They also need to explain why it is that South Australian businesses are being forced to pay the highest WorkCover levy rates in Australia.

Queensland pay 1.3 percent, Victoria pay 1.62 percent and in both of these States the levy has been cut three times in the past three years. New South Wales pay 2.06 percent and they have had three levy reductions in the past 12 months. In South Australia we are stuck on 3 percent and have an unfunded liability of \$700 million.

What does this mean to the business community? It means South Australian businesses will continue to pay the highest WorkCover premiums in Australia unless some action is taken and the Liberal Party will continue to put pressure on the government to put some reforms in place.

The Liberal Party believe the much delayed State Budget was really a missed opportunity for South Australian business. It was high taxing, it was big spending, it increased our State debt, it is selling assets, it is aiming for low growth and it did nothing for business. There was no tax relief at all in the budget. No payroll tax relief, no land tax relief, no property tax relief, no stamp duty relief.

South Australia has the lowest threshold of payroll tax at \$504,000 - more of our small businesses pay the payroll tax earlier. We also have one of the highest rates at 5.5 per cent. Other states have thresholds of a million dollars and above and other states have rates of five per cent or below. The Liberal Party will continue to work with Business SA to pressure the Rann Government to establish a competitive cost environment in South Australia.

Private land tax collections are set to increase by 22 per cent in this year alone. In total the government intends to collect more than \$1 billion in property taxes each year.

What this means for you and I is that the Rann Government will have about 20 per cent more revenue this year than the last year of the Liberal Government – that is twenty per cent more revenue or \$2.7 billion a year more to spend.

When I tell people about the extra \$2.7 billion their immediate reaction is to ask what they are getting for the money.

Working from the Budget I can tell you South Australians are getting eight thousand extra public servants. The Rann Government budgeted to employ eleven hundred extra public servants but ended up with touch fewer than nine thousand more public servants. It has employed eight thousand people it never intended to employ. The cost to you and me for those extra eight thousand public

servants is \$500 million a year, each and every year. The Government has not managed the public service well and it has squandered the excess revenue from GST and property taxes.

In addition, the Budget increases State debt by \$700 million, and many in the community have raised concerns about this. And rightly so. What we are getting for our debt is a mixture of wrong priorities and infrastructure blow outs.

The Rann Government is funding things like the tram extension down King Williams Street and \$100 million extra is being spent on opening bridges at Port Adelaide.

The borrowings are also funding the blowouts in transport infrastructure, and there are some beauties. The Bakewell Bridge has blown out from \$30 million to \$41 million.

The Anzac Highway underpass has blown out from \$65 million to more than \$100 million. We have not yet been advised of the final costs but it has definitely been confirmed at over \$100 million.

The Port Road/Grange Road project was costed at \$122 million and when we asked the Minister if it was true that the figure is now closer to \$250 million, he refused to rule it out.

Similarly, the Northern Expressway was costed at \$300 million but is now going to cost at least \$550 million. That is a \$250 million blow out in a \$300 million project.

The Labor Government has announced all these projects during the past four years – not one of them is a new initiative. There are no new transport projects of note in the Budget. But the government has got the costings wrong, they have squandered the GST on the public service and they are now being forced to increase debt cover the blow outs. This is a problem all of the Rann Government's own making.

So why are these issues important? Why are high taxes, high WorkCover levies, increased debt, infrastructure blowouts and a public service blow out so important? They are important because they add up to a Budget that does not free the business community up to grow in the future.

Let's look at the Rann Government's own growth figures. The government is projecting economic growth at 2.5 per cent – that's the equal lowest in Australia. It has predicted employment growth at 1.5 per cent – that is the second lowest in Australia and population growth of 0.6 per cent or half the national average. In other words despite the national economy, South Australia is not growing as quickly as other States.

The Liberal Party very much see the Budget as a missed opportunity to unshackle the business community and get it ready for future growth.

I want to turn now to provide you with a snapshot of some of the key areas the parliamentary team is focussing on as we work towards election 2010.

The first is education. I believe public school education is of the absolute basic building blocks of society.

Education is about life skills, particularly literacy and numeracy. The State Liberal Party believe that a good education system is best achieved by parents and students having as much choice as possible, by meaningful reporting back to the family and by regular testing to ensure high standards.

I share the Federal Minister's concern and frustration about some of the standards achieved and reporting mechanisms in place in public schools.

Parents and employers regularly raise concerns with me about current levels of literacy and numeracy and anecdotal evidence suggests that is not uncommon for employers to retrain staff in some of the basic literacy and numeracy requirements.

The simple reality is parents want to know how their children are going. As a parent and as a former employer I have lived and shared those concerns. Only last week my 14 year old daughter and I had a quiet word. She came home with a sentence that said 'Bob was in a bad mood', M-U-D-E. So that only got dad in a very bad mood, M - double O-D. But it was just frustrating; you would think that a 14 year old could actually get that one right.

It is frustrating that despite the enterprise bargaining agreement and despite agreeing with the State Government, the education union are refusing to report to parents as requested. It is clear that under this government the unions are running the education system. Under a Liberal Government that will certainly change.

We have a crisis in maths throughout the Australian community. Maths is fundamental to economic growth, a lot of the wealth creation jobs, and wealth creation careers revolve around a skill in maths.

For example, Australia is 10,000 engineers short. The Queensland Department of Transport are advertising for 500 engineers. There are engineering companies in Queensland that are advertising for a 120 engineers. I believe the dumbing down of maths throughout the education system has contributed to this shortage. Universities are now offering bridging courses to try and bring the students up to speed.

The second area of focus is the need to overcome the current skills shortage. Skills are vital to economic development and economic growth. My philosophy is we should be getting skilled people into the workforce as quickly as we possibly can and I am a firm believer in training based on competency not time served in the training program.

I am also promoting greater skill recognition between States so that skill transfer can happen more readily and I am a great believer in university courses that contain employment-based training as well as course work.

The third key focus for 2010 is South Australia's lagging population growth. I believe South Australia should be looking at developing more efficient ways to recognise immigrant skills and faster retraining programs to provide us with a competitive edge against other Australian States. I want South Australia to be the state of choice for migrants coming to Australia. They should be attracted by our willingness to support their entry into the workforce at a faster pace so that they can start to earn money and support their families. There are opportunities for us here to develop these sorts of programs as part of population growth strategies. Make no mistake, long-term, say in 20, 30 or 40 years South Australia will need sustained population growth.

Any plausible population growth strategy will also need to address and housing affordability land availability.

Let me start with a discussion about housing costs and in particular the current stamp duty regime in South Australia. I have a 21 year old son currently at university I am hoping that one day he will finally graduate and buy his own home. The stamp duty he will be charged to buy an average home here in South Australia costing around \$285,000 is \$10,000 more than he would pay for the same home in Queensland or New South Wales.

If you adjust this cost over the life of the average housing loan this equates to an additional \$14,000. With all the other costs involved with buying a home I calculate that there is roughly a \$20,000 disincentive to buy your first home in South Australia.

Recent discussions have also focused on land supply. A restricted land supply, as is the case here in South Australia, cannot help but drive up land prices and that is why I am calling for a review of the urban growth boundary. I want to ensure we have adequate land supply so that housing is affordable.

Our fourth area of focus at present is business and employment growth.

We all know that traditional manufacturing is under pressure, most notably from China. The world has no precedent for an economy of 1.3 billion people growing at 8 per cent per annum. Traditional

manufacturing industries are going to need to reduce their costs and some will start producing overseas - Electrolux being the most recent example.

Recently the Australian Industry Group has done a survey of Australian manufacturers revealing one in 16 already has an operation in China. So while China and imports will be a threat, there will also be opportunities.

In a speech the other day the Managing Director of Elders, Greg Hunt pointed out that during the next 15 years the world's population will grow from six billion to around eight billion. The majority of this growth will happen in Asia, right on our doorstep. We must grasp the opportunity to find new markets for products and services such as food, agriculture, electronics, aquaculture, education and health just to name a few.

But to get South Australian businesses internationally competitive and geared up for exports is going to take years not months. We will have to make sure we can develop the right volume – Asian markets usually need big volume. We will need to ensure we can maintain the right quality and reliability of supply. South Australia will need competitive and modern infrastructure. There will need to be better science and research, better product innovation and development, more export ready programs and better assistance into the market place. These are the keys to the success for individual companies and the South Australian economy in the long-term.

We will have to do more than just rely on mining and the defence industry.

We have to recognise that South Australia is competing with economies that are far less regulated and have far less regulation than we do. In my view this calls for a total review of business regulation. Red tape needs to be targeted and we need to get rid of superfluous regulation to enable the business community to be as free as is reasonable possible to compete with overseas businesses operating in unregulated economies.

For South Australia to remain prosperous in the long-term, my view is we need to free up the business community to grow through less regulation, we need more flexibility and choice supported by a good education system, we need a skilled workforce and a sustainable and growing population.

Before closing, can I say again how great it is to see so many of you here today I certainly appreciate your support. The Liberal Party are undertaking a program meeting the business community we are keen to hear what you have to say. We want to know what policies you think South Australia needs grow your business and our economy. We want to be able to give our children a future. Can I say it really is fantastic to see so many people here, thank you for your attendance and thank you for your support.