



Institute of Public Administration Australia Northern Territory

David Hawkes Oration 2005

*The Core Business of Public Administration: Sunrise
or Sunset Industry?*

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Speech Notes

I am delighted to be invited to deliver this Oration in honour of David Hawkes, a great leader in the public sector, and a colleague with whom I have worked closely especially in the national activities of the Institute of Public Administration Australia.

I am also pleased to be back in Darwin again having spent much time in the Territory particularly during my time with the Commonwealth Grants Commission. I have seen the worst side of the Territory, (the NT Treasury saw to that in their effective presentations to the Commonwealth Grants Commission), but also have had some marvellous experiences here.

I particularly fondly remember the Bougainvillea Festival with so many enthusiastic school children on their floats, and I recall the many ways in which Territorians have led the rest of Australia in fields as diverse as education and training of Indigenous people, Resource Rent Tax, true multiculturalism, Asia-Pacific relations, magnificent World Heritage experiences at Uluru (Australia's Taj Mahal) and Kakadu, the Alice Desert Park and Darwin Botanic Gardens and Museum, public/private hospital shared facilities, and the unsurpassable experience of a Bar B Q watching the splendid sunsets over a steak and juice at the Darwin Trailer Boat Club.

The Core Business

Our topic tonight requires us to reflect first of all on just what the core business of the public sector is, especially as this is something that is often overlooked in contemporary professional and public debate. I would suggest that it consists of a number of elements:

- **Public Interest:** Those two words convey so much in philosophical, moral, political, economic, and legal terms, and they should lie at the heart of every piece of legislation, regulation, and the behaviour of all public servants. This is the most distinguishing feature of the public sector and it springs from our democratic constitutional and cultural history.
- **Values:** All Australian Public Services have endeavoured to enunciate the values which they espouse and practice. They invariably incorporate aspects of accountability integrity and ethics and they are manifested in the three public sector goals which underpinned the recommendations of the Coombs Royal Commission 30 years ago – effectiveness efficiency and equity.
- **The Australian Way:** All public sectors in democratic countries have similar foundations but there are a few Australian values which especially permeate our way of life. The key ones are the twin values of a “fair go” and “have a go”, i.e. the spirit of equity and enterprise.

Australian history is an amalgam of these two principles which have served us well and they are particularly manifest in places like the Northern Territory. For in this country the notion of “equity” includes geographical equity which becomes translated into the concept that every Australian, no matter where they live, is entitled to the same standard of government services at the same

level of taxation – costly but fundamental part of the social mores of our nation.

- **Nation Building:** The public sector built Australia and it was accomplished largely through our pioneering use of public enterprises. Our continent was so large and our population so small that it was uneconomic for the private sector to lay down most of our infrastructure (we are less dense than other nations). So it fell to governments to take up the challenge of small scale and distance in our frontier society, a mammoth task.

Consequently until recently the fields of transport and communication have been dominated by the public sector and this also accounts for our pioneering efforts in the design of public enterprises to develop this far flung nation and its infrastructure. The concept of the Community Service Obligation has a heavy geographical emphasis in this country as any resident of the NT is well aware. But nation building is not just about bricks and mortar; it also involves citizenship, and it has been local and regional governments and particularly public servants in far flung communities, who have risen to the challenge of empowering and engaging present and future citizens.

Adam Smith spoke philosophically of the “invisible hand” that sums individual welfare into the national interest, but in Australia, especially in places like the NT, that hand is very visible and it is most often the helping hand of a public servant be it teacher, nurse, engineer, community worker, ranger, carpenter or doctor.

- **Public Service Tradition:** Another basic element of core public sector business which we inherited from the British ancestry of our institutions of governance is summed up in the term “Westminster Model”. Like Britain we are supposed to operate with a separation of powers that ensures that the Executive is accountable to both the Parliament and the Courts largely through the doctrine of ministerial responsibility. Public servants as part of the Executive are a vital component in this accountability process since they are a key element of the policy formulation and implementation process.

But the role of public servants is crucial in the physiology as well as the anatomy of our system of governance because our democracy stands or falls on the crucial requirement that public servants give frank and fearless advice to Ministers. This used to be ensured, as in Britain, by having public servants take the “vows” to be silent, permanent, anonymous and neutral.

The notion was that a truly professional public service can serve any government equally effectively whatever its ideology and its political neutrality can best be ensured by giving public servants permanent tenure. In essence it is a quid pro quo – tenure for neutrality. This public service tradition has historically underpinned the core business of public administration.

The Challenges to the Core Business

Over dinner one night in Melbourne, at the height of the Kennett Government's reform agenda in Victoria, Treasurer Allan Stockdale predicted to us that by the year 2001 the Australian public sector would have only three functions:

1. Policy making
2. Regulation
3. Contract management

In other words there would be no more service delivery which would all be privatised or contracted out. This sort of challenging statement causes you to reflect on the question as to whether the public sector needs to do all the things which it has traditionally done, or whether its very foundations are changing and hence its role.

There can be no doubt that the last quarter of a century has witnessed a number of challenges to the conventional mode of contemplating the role of the public sector.

Decline of the Westminster Model

Perhaps the main challenge has come from within the public sector itself and it is most often voiced by we academics queued up at the wailing wall to lament the passing of the Westminster model and its foundations. The evidence is strong and it includes:

- Dominance of the parliament by the government in a variety of ways especially through the rigid application of party politics. This extends to control of parliament's own resources and those of its associated bodies including Auditor-General and Ombudsman.
- A breakdown of the separation of powers with governments interfering in the operations of parliaments and courts and even the Vice-Regal Offices.
- The downfall of the doctrine of Ministerial Responsibility to such an extent that the accountability of Ministers is now very unclear. If the test is when should a Minister resign – perhaps the act of deliberately misleading the parliament may be the only sieve remaining, although even here the sustained defence of a Minister by the Prime Minister or Premier or Chief Minister may override even this convention. Since the ethical and legal behaviour of public servants is intimately linked to Ministers' behaviour they are automatically implicated in this shifting trend and their own status becomes blurred commensurately.
- Abuse of accountability procedures, especially Freedom of Information Laws which are now really freedom from information regimes, as governments daily discover new ways of making key policy documentation exempt. Another disturbing development is the way whistleblower protection has backfired and studies show that hundreds of whistleblowers have suffered severely in their health and careers even though their information was proven correct and revealed serious breaches of laws and ethics.

- Politicisation of the Public Service: One of the most disturbing trends of all, it was disguised for so long, even by academics who applied the wrong test to identify this insidious phenomena of our time. The real test of the politicisation is not whether public servants belong to the same political party as the government.

It is the test identified by Tony Fitzgerald in his deep analysis of the corruption of the Queensland Government viz. When public servants give ministers the advice which they think ministers want to hear, rather than the advice which ministers should hear. Thus the basic requirement for frank and fearless advice goes out the window and with it a fundamental tenet of the Westminster model.

One of the main causes of this behaviour is the introduction of contract employment into the public sector. A public servant on a fixed term contract, especially a short one, is far less likely to offer frank and fearless advice than one with permanent tenure. The *quid quo pro* developed in the 19th Century under the Northcote-Trevelyan reforms has been broken; no permanence/no neutrality.

The so called gains of contract employment are not worth this price which has included deaths in public hospitals, brain damage in government schools, corruption in businesses, and hopelessness among the vulnerable in the community.

- Decline of the buffers: Once there were bulwarks which protected the integrity of the public sector particularly from predatory politicians and other carpet baggers. Many were so called central agencies none more famous than Public Service Boards. Australia was the only country in the world to have these bodies which combined two functions:
 - (a) Protection of the merit principle and
 - (b) Human resource management.

As such they guarded the independence and integrity of the public sector especially through oversight of recruitment promotion discipline and appeal mechanisms, and the interface with ministers and parliament. They stood up to all politicians irrespective of their status in the name of protecting the public service.

Virtually all are now abolished, as a result of the drive towards decentralised administration, philosophies like “let the managers manage” and the discovery by various superficial Inquiries that such bodies do not exist in the private sector. Appeal mechanisms have also been emasculated.

Other buffers used to include the Head of Prime Ministers or Premiers Departments who saw themselves as Head of the Civil Service, together with Auditors-General and Ombudsman who are really officers of parliament not government.

These offices were filled by persons of integrity who had no compunction in politely telling the Ministers when they were unduly interfering in the politicisation of the service or breaching the political/administrative ethical divide. But we really no longer have “Heads” of the public service and the Auditors and Ombudsman have had their powers severely curtailed and the scope of their jurisdiction reduced and their own resourcing constantly under threat.

These old buffers like David Hawkes are sorely missed!

The Market Experience

The scope and nature of the public sector in Australia has certainly faced some encroachment in recent times from the major market based initiatives which have swept the world as governments have privatised everything that moves, corporatised everything standing still, and outsourced the rest.

Australia was late in the privatisation stakes predominantly because just about all our governments were Labor during the 1980s and early 1990s, but we are fast catching up at the national level.

There could be no greater challenge to the core business of public administration and it is true that privatisation has delivered some benefits – competition and the efficiency it can deliver, reduced costs to the consumer, more profitable operations, growth in the enterprises, greater transparency in government/business relationships, and exposure and full costing of CSOs.

However there has also been a downside in most of the 85 countries that now have functioning privatisation programs, including retrenchment and unemployment, some falls in the standard of services, less domestic competition than hoped especially as enterprises plead for domestic monopolies to become internationally competitive, confrontation with regulators, escalating salaries for executives and Board members, increased foreign ownership and suspect use of the sale revenue for political purposes.

A somewhat similar story comes from the corporatisation experience. The advocates claim it is the way to achieve the greatest efficiency and service whilst retaining public ownership; the opponents say it is just a wimp’s privatisation. The evidence from experience with public infrastructure bodies e.g. ports, rail, energy, transport etc. is that a range of issues have arisen including mainly the old problem of how a government business enterprise can maintain an “arms length” relationship with its owner.

The short answer is that they can’t because governments cannot keep their hands off them, often raiding their dividends, imposing politically motivated CSOs, stacking their boards and forcing ideologically motivated social and cultural policies upon them. The regulatory frameworks also seem to be defective and have created considerable uncertainty and confusion, not to mention power blackouts, port blockages, and lagging infrastructure provision especially in regional growth areas.

Worst of all their accountability regimes leave much to be desired with many corporatised bodies excluded from Auditors-General, FOI, Ombudsmen, and parliament and its own committees. It is also not clear exactly who should determine the key public interest elements of these bodies e.g. the value of CSOs, the dispersal of dividends, the funding balance between loans/equity/retention of profits, the targets and performance indicators. The Boards of the Enterprises seem to have little say in these fundamental issues and the role of Treasury looms large raising the question as to whether Government Owned Corporations can ever really function in a true business' like manner.

With outsourcing a similar balance of argument presents itself. It is said to deliver lower service delivery costs and the international benchmark is around 15%. It can ensure that services are delivered by those with the greatest knowledge and expertise and understanding of clients' needs and minimum bureaucracy and overheads.

But the issues are also now piling up – lower standards, loss of corporate memory in the remaining public sector with resultant diminished capacity to manage the contracting out, dubious value for money, serious concerns from the private contractors about the protection of their intellectual property, and some examples of corruption and incompetence in the contracting process itself.

The more recent phenomenon is the advent of PPPs or Public/Private Partnerships. Their use is very uneven across Australia and, indeed, smaller scale jurisdictions are not able to pursue them to any great extent. In theory they should offer the best of both worlds allowing each sector to do what it does best and share its experience. There is much evidence that this has in fact happened with lower costs of service provision and better completion times.

Yet once again there is another side of the equation with some doubt as to the real saving in cost of capital and return to taxpayers, and the still unanswered questions about risk sharing which lies at the heart of the concept (especially true as to political risk sharing and public accountability).

These market based innovations have demonstrated that some functions which were previously considered core business for the public shared can certainly be shared and sometimes sold. The debate over them all is a very uneven one because the advocates have hard quantitative data to present (e.g. profit, growth rates, market share, dividends etc.) whereas the opponents often have to fall back on qualitative data whose link to the concept is hard to attribute (e.g. unemployment, standard of service, consumer satisfaction etc). Thus, in this debate, where you stand depends on where you sit, and ideologues from left and right can make their arguments in this uneven terrain.

However it is worth noting that in all cases – privatisation/corporatisation, contracting, and PPPs, there always remains a vital role for government in ensuring that the public interest is protected, whether it be through regulation, licensing, ministerial approval, or performance measures, so this element of the core business of public administration always remains. The current debate over the full privatisation of Telstra is the classic example.

Many of the criticisms of market based solutions to delivery of basic services are really design – defects especially in the governance arrangements which accompany them. But they do raise the salutary question, which every nation must ask itself periodically – what can a government achieve through ownership that it cannot achieve through privatisation and regulation/oversight? It is a bit early to say but from my own observations I think the answer to that question includes:

- Certainty
- Continuity
- Stability
- Empathy
- Direct Accountability

The Public/Private Comparison

Another insight can be gained into the core business of the public sector by comparing the public and private sectors especially as public administration has sought to emulate private sector management in so many ways over the past quarter of a century in Australia. There are still not a lot of Australians who have jumped this divide, although it is becoming more common.

The Australian education and training system particularly at the tertiary level, unlike that in Europe, does not facilitate the mixing of future Executives of the public and private sectors, and we do not have the cross-mobility of employment between the two sectors that is found in North America.

However experience and the literature that does exist is pretty clear. There are indeed considerable similarities between public and private with clients to be satisfied, human and financial resources to be managed, assets to be operated and maintained, services to be delivered, and performance to be measured and realised.

A private company can of course follow a triple bottom line and hence broaden its values, perception, and influence. Nonetheless all of the migratory managers with whom I have spoken have always raised many unique aspects of the public sector days of their lives. They include:

- Greater complexity of the public sector
- Multiple accountability mechanisms and pathways
- Significantly larger number of stakeholders
- The dilemma of the client/citizen duality
- Lesser significance of profit as a driver
- Bounded perspectives on risk management
- Constant scrutiny in the goldfish bowl
- Difficulty of managing the ministerial interface
- Accepting weird role of Ministerial advisers
- Coping with polls and spin
- Challenging relationships with central agencies
- Turf wars with other government agencies
- Exploring the federalism jungle

Of course, whether public or private, the key aspect is really the motivation of employees; the thing that gets them out of bed in the morning. The traditional theories were that public servants are motivated by serving the public interest, being close to the political action, having the capacity to change the circumstances of people, from a secure base of permanent tenure.

Yet modern management theory would have us believe that public servants are motivated by exactly the same things that motivate private sector employees – a personal contract with performance measures and discipline, a clear mission statement and objectives, the threat of competition, organisational benchmarks, client satisfaction etc.

For the life of me I have never understood why both approaches cannot be combined, and there is no reason why employees on permanent tenure cannot have performance measures applied to them – there is no necessity to resort to contracts. But if forced to choose between the two models I would have to say that I am a bit old fashioned – I like a Gershwin tune; I think a man should stand up for a lady on a bus; and I prefer public servants to be silent, permanent, anonymous, and neutral.

New Public Management

The public/private debate has been given a different lease of life by the philosophy and prescription of the New Public Management which has swept the western world for the past decade or so. When we say “new” I am reminded of that lovely quote from the guru Dwight Waldo who said “Public Administration has had so many identity crises that in comparison the life of the average adolescent appears idyllic”.

It is true that the potential of the public sector can be unlocked by many of the concepts advanced by the proponents of “Reinventing Government”. We do need to ask constantly whether governments need to be steering rather than rowing; whether efficiency and transparency can be enhanced by splits between funder/purchaser/provider; whether injection of competition and comparative benchmarks can improve performance and motivation; how management by results can best be achieved; how entrepreneurial initiatives can be encouraged even if within bounded notions of risk management; and how stakeholders can really be built into policy making processes especially in street level bureaucracies helping the vulnerable in our populations.

The emphasis on a client focus is very welcome (although I have become disturbed that so many public servants now seem to see the Minister as the pre-eminent if not the only client). Most importantly we need to explore constantly how Leadership can be enhanced at all levels to see the public service realise its full potential. The experience of our UQ Business School is that for public sector managers various approaches to leadership can be adapted from many strands of leadership literature and case studies.

It is worth noting that all of these so called New Public Management elements can be achieved from within the public sector itself and do not necessarily require outside intervention. Indeed the vast majority of these new philosophical approaches are being successfully introduced every day across the Australian public sector. The

outstanding introduction of the many components of the FMIP, Financial Management Improvement Programme, in the Commonwealth and many states is a classic example, and visitors are coming from all over the globe to study this pioneering work achieved in our public sector.

The remarkable performance of bodies like Australia Post, Centrelink, and Medibank Private are testimony to what governments can achieve in very difficult arenas in a business environment, and the amazing resilience of our police services (who do not require competition to spur their performance) is testimony to what a dynamic public organisation can achieve with the right philosophical base, leadership and goal orientation.

As the CEO of one of Australia's most successful public sector superannuation organisations said to our Leadership Workshop recently, the public sector starts from an image of being a lower form of life and therefore its achievements are so much greater. There will always be potential for new approaches to reinvigorate the core business of public administration.

Intergovernmental Relations

No speech to a Northern Territory audience would be complete without reference to relations between the three levels of government in Australia. Indeed the NT provides the quintessential case study to demonstrate that the core business of public administration can only be achieved with the support of Commonwealth, State/Territory, and local governments.

If we examine the key factors which always characterise the NT submission to the Commonwealth Grants Commission we find, inter alia:

- Isolation
- Dispersion
- Small Scale
- Extreme socio-economic challenges
- Lesser private sector potential

Although not always easy to measure precisely, these are disabilities which contain demonstrable evidence of the need for a national effort to sustain the core business of government which underpins the survival of people in remote lowly populated regions with harsh climatic conditions.

From my own many years of observation, the hopes and livelihoods of NT residents, especially in the remote communities, are crucially dependent on the often heroic and selfless service of frontline public servants like teachers, nurses and doctors, police, community managers and welfare workers, all behaving in the true old fashioned tradition of "public service".

From time to time State Governments, notably Victoria and New South Wales, question the arrangements which see the horizontal equalisation process redistribute government revenue to meet the needs of the smaller jurisdictions. They inevitably do so from a poor understanding of the process and do not acknowledge that it seeks to

equalise capacity rather than results. They forget that the proportion of all general purpose funding which is equalised amounts to only less than 10% of the total.

They ignore the fact that such regions are often propping up the larger states through export earnings and resultant foreign exchange earnings from commodities especially mineral resources, and they also forget that southern capital cities have had their economic bases propped up by tariff barriers, and monetary policy dictated by economic conditions prevailing in Sydney and Melbourne .

Most serious of all, they forget that Horizontal Fiscal Equalisation is the Price of Nationhood and it is a price well worth paying founded as it is on those two Australian pillars of equity and enterprise.

No doubt the system can be streamlined and made less complex, (although in public policy things which are “fair” are never “simple”), but Australia should be proud of the fact that it has the most sophisticated system of Horizontal Fiscal Equalisation in the world. Every month delegations from other countries come to learn from our experience whether they be from federations or from unitary systems with strong regional cultures. Equality in Diversity is the underpinning of nationhood.

A different threat to governance in Australian regions has emerged in the past decade, this time from the Commonwealth, as the national coalition government has become more and more centralist. This is manifest through Commonwealth intrusion into many previously State/Territory/local functions and especially through the use of conditional funding to achieve Commonwealth objectives.

All the major and minor political parties in Australia are centralists now and that is very scary. Whilst it is reasonable to expect that Australia is in transition towards a more national economy and society, compared with the fragmentation confronting the founders at federation, and the goals of uniformity universality accessibility and mobility and clearer accountability are important for the nation, this cannot be achieved by being governed absolutely from Canberra. The core business of government in regional Australia will be stifled by over-centralisation.

The national interest is the public interest, and the regional governments are best placed to ensure the citizens of these regions are fully engaged and their needs are met. As such they must remain full partners in national policy making and not be seen as just service deliverers.

Sunset or Sunrise?

Public servants played the major role in building Australia and they did it in the belief that they were serving the public interest. A wonderful nation has emerged recognizing the rich foundation and tapestry of our Indigenous heritage. We celebrate so many innovations from the stump-jump plough to the Hills Hoist the Victa Mower and Vegemite, as well as world first inventions like telescopes, bionic ears and radar.

Whereas once Australia was acknowledged mainly through its terrain and geographical features, today we are recognised for the creativity and ingenuity of our people seen in so many areas – engineers who make rivers flow in reverse though vast

mountains, film makers and actors, ballet dancers, internationally acclaimed authors and architects, and nine Nobel Prize winners. We “punch above our weight” in international diplomatic and economic forums and my experience is that Australians are appreciated for the directness, openness and frankness of their views, and their constructive approaches.

Ours is a robust system of governance; one of the longest continuous democracies in the world, and one of the very few created by a direct referendum of its people. We are also one of the very few countries never to have experienced a civil war (except for State of Origin football). We are truly a “lucky country” in the true sense of the late Donald Horne’s expression, in that we have been able to adapt to innovate, but we are also a blessed country.

In human terms, the challenge for this century is to design safety nets that are trampolines and can systematically combine enterprise and equity to provide the foundation for the progress of our nation so that all may benefit. In all of these attributes the hand and energy of government will be present, as it always has been whether visible or invisible.

The sun never sets on the public sector, the core business and values of public administration remain, but the challenge is now for the public sector to enter appropriate and accountable partnerships with the private and voluntary sectors to ensure the preservation of our main shared core value – serving the public interest.

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He is Australia’s Representative on the Executive Board of Unesco and is Chair of the Australian National Commission for Unesco. He is the author of numerous books and scholarly works and has served as Consultant to many Parliaments, Governments, Royal Commissions, Government Business Enterprises, and private sector organisations .

Professor Wiltshire recently completed a nine year term as a member of the Commonwealth Grants Commission and is a former Chair of the Australian Heritage Commission and the Wet Tropics World Heritage Management Authority.

He is a National Fellow of IPAA and was twice President of the Queensland Division, is an Honorary Trustee of CEDA, and in 1998 was awarded the Order of Australia for services to policy making, public administration and Unesco.