

**IPAA NSW 2014 Spann Oration
Delivered by The Hon Nick Greiner AC**

14 November 2013

I recall that when I spoke to what was then called RAIPA as Premier I suggested, with my normal tact, that for a variety of gender and constitutional reasons it would be a good idea to drop the “R” and I am pleased that this initiative has no doubt long since occurred.

The reason for inviting someone whose active involvement in public administration is now well over 20 years ago, other than a couple of years recently as Chairman of Infrastructure New South Wales, a new advisory body created by the incoming Liberal National government, is apparently that this year is the 25th anniversary of the election of my government which was followed by a variety of what were then quite radical reforms to the public sector.

With due acknowledgment of my lack of recent and sustained involvement in these matters, the suggestion was I look at 1988; offer views from my perspective about 2013; and chance my arm on 2038. That sounds easy and not at all challenging, so here goes.

In 1988 my Government was elected with a very clear New South Wales Inc. approach. In quick time:

- we abolished the Public Service Board [and sacked the late John Ducker, its Chairman];
- removed tenure for public service appointments;
- introduced a clear merit basis for such appointments;
- introduced the Senior Executive Service with more competitive pay, bonuses, contracts, etc.;
- increased, which would not have been difficult, appointments from the private sector and the Military;
- introduced a Whole-of-Government approach which involved frequent gatherings of all Chief Executive level personnel and six monthly reviews between Ministers and their Directors-General on the one hand and myself and Cabinet Office on the other;
- began the process of privatizing non-core activities which included the Government Printing Office, the State Abattoirs, surplus government property, the G.I.O. and the State Bank;

- passed the initial Australian State-Owned Corporations legislation and corporatized many of the major government business undertakings in the energy, transport and water sectors in particular;
- created the first Australian state-based regulator, IPART, with focus on the pricing of water, electricity and transport;
- undertook significant outsourcing and PPP's covering both a range of facilities management services as well as the first PPP's for water treatment plants and urban toll roads;
- moved the state housing activities from build to buy;
- started the devolution of responsibility to schools and hospitals;
- and, with Prime Minister Hawke and a number of reformist Labor Premiers, led what was then called New Federalism: essentially a national approach to a variety of important markets and an attempt to rationalize activities between levels of government.

My normal modesty does not prohibit me from saying that that is a significant range of initiatives. Indeed, one might say too much too fast though overwhelmingly, but not entirely, they have survived and been built on by governments of the left and right.

With the benefit of a quarter of a century of hindsight let me attempt a bit of an evaluation.

The abolition of the Public Service Board in order to allow individual managers to manage their people functions was a mistake and the various Public Service Commissions and Advisory Boards, as champions of improvement in the service, is a thoroughly good idea. Likewise, in New South Wales the Government Sector Employment Act.

I would however make the point that the public sector still lags very considerably behind the improvements that have been made in human resource activity in the private sector in terms of the quality of retention, talent development and succession planning.

The PSC should guard against a natural tendency to introspection – it should be a window to and from the big bad world onto the Public Service and vice versa.

At the end of the day, responsibility must lie with individual senior managers to implement the reforms and to make a Whole-of-Government approach actually work.

I may be tilting at windmills but it would be nice to be confident that the excellent initiatives are actually taken up both by individual entities and by the Service as a whole.
[Mike Pratt comment on managers not recruiting own staff]

The Senior Executive Service gets a mixed review from observers. My sense is that it was, and remains, an inevitable concept unless one wishes to go back to the days when the disparity between the sectors was unsustainable and all the incentives were for high performers to move on. However the SES has to an extent been captured by the “system” and is in need of rationalization and review.

It is my sense that senior management of the Service has in the last decade or so moved from leadership to followership i.e. of the Minister with a focus on quality administration and quality crisis management but a tendency to channel the political masters rather than telling them they have no clothes. The craft of public service seems to have been downgraded to a utilitarian management focus. The academic debate on the subject is usually characterized as a contrast between frank and fearless advice on one hand and responsiveness on the other.

Personally I do not see those two concepts as fundamentally inconsistent. If I'm right that the pendulum has swung away, even in terms of private discussion, and that the existence of Freedom of Information is sometimes an unacceptable excuse then it is really up to both Ministers and senior bureaucrats to see that the desirable virtues of loyalty, harm minimization, compromise etc. can all be displayed along with an appropriate opportunity for courage and ideas entrepreneurship. [P & C, Tsy]

Perhaps a particular example of the above is in the vexed question of Federal/State relations. Over the last two decades COAG has become increasingly dysfunctional: the overlap between three levels of government and regional, not-for-profit and private sector activities just enormous. Yet, as far as one can see from the outside, the Public Service at all levels tends to defend the indefensible rather than help governments find a sensible way forward.

Abstracting from territorial self-interest I think it would take any random group of senior Public Servants a very short time to come up with a useful first cut to minimize the overlap and duplication.

One is tempted to say that the future of Federation is too important to be left to politicians. The Public Service has a clearly legitimate role in this debate as long as it is on a national interest not self-interest basis.

Incidentally to state the perhaps bleeding obvious, it is necessary to deal with the “who does what to whom” question before one can sensibly venture into the area of Federal/State financial relations.

I turn to corporatization which has also had a checkered existence mostly in my observation because Ministers of both sides, but particularly from Labor, don't really believe in the idea!

One should either make this work as it was intended for large government entities and discipline the Ministers to allow Boards to behave like Boards or one should can the idea and, as with Transport under both Labor and Coalition governments in New South Wales, revert to Director-General and Ministerial control of these very large businesses.

Obviously that is not in my view the correct governance model but it is better than being half pregnant. I note there is a review underway in New South Wales and wish it well.

These governance ideas are really a fundamental part of effective management of large public sector organizations but there is undoubtedly some political risk in their application both in the government business sector and in areas like health and education where the O'Farrell government is undertaking praiseworthy devolution exercises albeit with a gap between perception and reality as far as the powers at local level or on GTE boards are concerned.

An area of significant progress, both in theory and practice, is that of contestability/commissioning which has significantly improved from our rudimentary efforts at outsourcing government cleaning which, I recall, was one of the many causes for protests Macquarie Street.

The RMS approach to maintenance contestability, coming as it does more than 20 years after the initial and indeed one and only outsourcing contract, is perhaps a model of a modern approach and will, I am sure, produce excellent results for New South Wales motorists and governments. [Add country – also water and waste water]

Yet another area of "moving in the right direction but more to do" is in the creation of effective market structures and ownership models in transport, electricity and water to produce the best outcomes for consumer prices, service quality and balance sheet management. The latter of course is not some Thatcherite notion but rather completely basic to getting the best infrastructure results.

My impression is that each of these three areas in New South Wales is achieving significant progress on efficiency grounds but of course that is only a progress stage towards the best results. Increasingly both sides of the political divide, and every available academic or industry expert, agree that recycling poles and wires, pipes and valves and eventually creating a more competitive rail and bus market is the way to go.

The success of the Restart New South Wales process is a great example of how focusing on the benefits rather than the process itself changes the public response.

The proposed sale of the Port of Newcastle which a decade ago would have produced yells to be heard in Sydney has garnered virtually total support because of the hypothecation of some of the proceeds to desirable local urban renewal.

My sense is that the Public Service has a role in advising on the presentation of such reforms in a holistic manner for, as I said to a class on "Infrastructure in the Market Economy" at the Kennedy School some months ago, the body politic needs help in addressing real or perceived community concerns about some of the necessary reforms in this area and that is such an important task in terms of public policy progress it should not be the exclusive province of Ministerial offices.

Let me conclude with three or four areas that were not particularly in focus in 1988 that are an important part of the current and future scene.

Firstly, consultation. It would be fair to say that this was not a hallmark of my approach to reform. However the traditional approach which essentially involves speaking to all of the major interest groups, all of which unsurprisingly have entirely predictable views in most cases and whose interests tend to be sectional rather than public in nature, remains prevalent. In a climate of virtually full-time

electioneering which now exists in all Western democracies appeals for political courage are usually not met. Indeed the phrase itself is a recognition that considerable pain is involved.

My frustration at the difficulty of reform has led to my interest in a non-partisan and non-issue-based research foundation called newDemocracy which assists governments in getting past the vox pop by being able to design and operate a jury process. While it is not a panacea, Geoff Gallop and I both feel that in appropriate cases it has very considerable merit and I commend it to you.

It has worked well in a variety of situations involving specific controversial projects, local government rate increases and various areas of law reform. The never ending thirst for more and more draconian, yet less and less effective, law and order remedies is one area where a more sophisticated consultation might produce better outcomes or at least stop further deterioration.

Secondly, it amazes me that with the unbelievable improvements in technology in the last quarter century, State and Federal governments struggle with information systems improvement in general and with mega data analytics in particular. While there are undoubtedly real or imaginary issues about privacy, the potential gains in improving customer service and getting more bang for your buck in areas like distance education and the

analysis and treatment of remote patients will inevitably be part of the future of the Public Service.

Thirdly, I hope and expect that we're in for another period of competition law reform and productivity improvement. While many of these matters are primarily Federal in nature, I suggest a look at the valedictory speech made by Gary Banks, then Chairman of the Productivity Commission in November last year, which suggest a range of areas where eventually the new Federal Government will bring in a range of carrot and stick measures as happened 20 years ago.

I suggest that the Public Service at State level should have its own competition and productivity agenda rather than waiting for one to be forced upon it!

Finally, Public Administration remains an island. Town and gown weak. Academics intimidated. No directors from academia. Real diversity. HBR Sept 2013 Triple Strength Leadership: private/public/social sectors.