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# GLOBALISATION AND THE PUBLIC SECTOR: CHANGES FOR AUSTRALIA — THE 1994 REID ORATION

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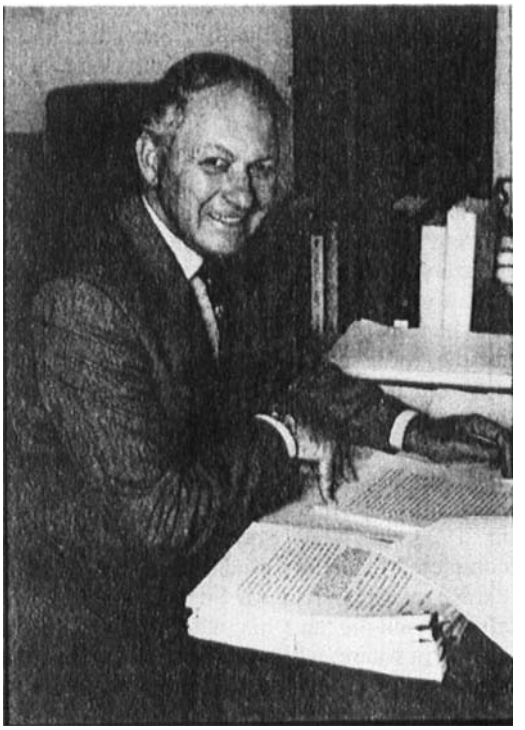
I can say quite simply that I would not be presenting this Oration were it not for Gordon Reid, and the 24 years since my graduation from the University of Western Australia might have been spent quite differently were it not for him. I retain a vivid memory of the last time I met him in 1986, when the then Governor of Western Australia and his wife Ruth gave a dinner at Government House in my honour as I left Australia to be Australia's High Commissioner in Bangladesh. It was not a stuffy affair, but a relaxed, enjoyable evening, where we were all received with Gordon Reid's characteristic warmth, courtesy and good humour.

And here I am again in my home town on my way out to my current posting as Ambassador to Vietnam and honoured and delighted to be invited to give the 1994 Reid Oration.[1]

There are a range of beliefs about what happens to people once they have completed this life. I feel people live on in the memories others hold of them and the impact they make on peoples' lives and on their societies. Gordon Reid lives on in the impact he made on his beloved Australia, through influencing the lives and activities of so many of us, from so many walks of life. The annual oration allows us to renew that memory and give witness to that continuing influence.

The Gordon Reid I knew was the foundation Professor of Politics at the University of Western Australia. I had come to WA as a migrant in 1966, a month before starting as a fresher, following a year teaching in Zambia. I wanted to be a teacher and came to university — then the *only* university in Western Australia — to embark on a BA DipEd, majoring in English and French. Gordon Reid changed all that.



*Professor Gordon Reid*

In 1967 politics was introduced as a subject, following Gordon Reid's appointment the previous year. I was a foundation student in the new discipline, which opened up a whole new world to me. Goodbye teaching and hello public administration.

**Australian Ambassador to Vietnam.* *This Oration was delivered in September 1994 as part of the Western Australian RIPAA State Conference. Gordon Reid was a member of the AJPA Editorial Board from 1976 to 1988.*

I should also say that what I learned in student politics, culminating in a year as Guild President in 1969, was also an important foundation. I recall Gordon Reid's contribution to thinking on student protest and the political processes as we protested against the war in Vietnam, fought to save the old Barrack's Arch, sat in on Stirling Highway to produce the pedestrian tunnel and struggled with the university administration to gain student representation on the senate and the faculty boards. His lecture in the first Octagon Lecture series, "The Politics of Protest", remains totally contemporary a quarter of a century later.

Gordon Reid had a formative impact on so many of my contemporaries, who have gone on themselves to make a significant impact on public life in Australia, including the WA Division President, Dr Michael Wood, and the current Minister for Trade, Bob McMullan. Kim Beazley, currently Minister for Finance, was also a student of Gordon's: he told me recently that he remembered Gordon Reid, as we all did, as the most gentlemanly academic — quite different from some of the other ruffians who had control of our intellectual development.

He was a courtly individual, an excellent example to all of us. Gordon Reid had an interesting and unusual path to academia. Born in 1923 in New South Wales, where he completed his primary education, he served in the Royal Australian Air Force during the war, after which he and his wife Ruth moved to Canberra where, while working on the House of Representatives staff, he completed his degree through part-time study over seven years. In 1954 he took the opportunity to work for a PhD at the London School of Economics, focusing on the financial procedures of the House of Commons and the House of Representatives, reflecting his deep and abiding interest in the processes of government. He returned to Australia in 1957 to become Sergeant-at-Arms in the Commonwealth Parliament, but in 1958 he moved to Adelaide, as Senior Lecturer and then Reader in Politics at the University of Adelaide. It was from there that he came to Western Australia, where he served as Professor of Politics in 1966-70 and then again in 1974-78 and in 1983-84, interrupted by a period from 1971 to 1974 when he returned to Canberra, to the ANU, as Professor of Political Science, and another from 1978 to 1982 when he served as Deputy Vice-Chancellor of the University of Western Australia.

Gordon studied and wrote extensively. He was interested in the practical, rather than the abstract theory of politics — he wanted to know the "why" of things. He was interested in what made things work. His parliamentary work also gave him an understanding and respect for the processes of government — which he also tested and queried when appropriate. This also made him an ideal Governor of Western Australia when he accepted that post in 1984. He remained a much-loved Governor of this state until his illness, resignation and death in 1989.

In the wonderful collection of tributes to Gordon Reid, Don Aitken recalls how Professor Reid's capacity to see all points of view, his capacity to identify clearly the significant points of principle, his respect for the rights of an individual and capacity to bring it all together to an agreed outcome enabled him to make a vital contribution to senate deliberations (Aitken 1990).

I recall how he would deal with us as his students, brash in our ill-informed views, passionate in our concerns, impatient in our approaches. He would listen courteously, challenge our assumptions and points of view with a perfectly judged, gentle and pertinent question or observation, and gently allow us to lead ourselves along a more useful path, without making us feel that we were the arrogant young idiots we undoubtedly were. Remembering Gordon Reid's approach, I often check my instinct to jump on and crush more junior and apparently foolish colleagues!

In 1970, leaving Gordon Reid's influence and student politics, I went to Canberra and into public administration.

We did not see Foreign Affairs as public administration in those days. Diplomacy was somehow different, but when I went to Canberra in 1970 I was quickly brought back to reality. In opening my new bank account there, I proudly recorded my occupation as "External Affairs Trainee" only to have the bank clerk delete this and write in "public servant". When I joined the department, the first question I was asked was "at what age did I intend to retire — 60 or 65?"

I knew then that I was in the public service.

The Australia we in the public service served then and the Australia we serve now are vastly different countries, and the challenge to all of us has been how to adapt to the changes. We have an awesome responsibility. The policies and programs we develop now will affect the lives of our fellow citizens well into the coming century.

The theme of the 1994 WA Division Conference is "Towards Better Customer Service: Achievements and Directions". As I move to Vietnam to take up my appointment as Australian Ambassador, let me take this opportunity to share some thoughts with you on some significant trends and challenges we face as the customer we serve is increasingly offshore.

When I joined the Department of External Affairs, as it then was, in 1970, we administered a body called the Overseas Visits Committee. This controlled all the funds for overseas travel by every federal government department, and we had to approve all such travel. To contemplate the existence of such a body today is obviously ludicrous. Then, the focus of the public service, both at the federal and state levels, was almost totally domestic and there was not much overseas travel by public servants.

With the globalisation of the Australian economy, I suspect that there is today almost no government agency, whether federal or state, which does not have a substantial international dimension to its work.

We attend international meetings which shape global policies and practices in our fields — whether it be the regulation of postal services, quarantine laws or the environment. We study the practices of comparable agencies abroad in our search for best practice at home. State ministers travel abroad, with or without accompanying business delegations, at an unprecedented rate. We receive each year a growing number of influential foreign visitors and delegations, heads of state and heads of government, senior ministers, political party leaders, officials and experts. International and cross-cultural skills are required across the Australian Public Service, and are no longer the exclusive preserve of the Department of Foreign Affairs and the various protocol departments.

As I move to Vietnam, I focus on a country at the early stage of economic development, which needs, for that development, many of the services and technology which are essential to the good running of a modern society and market economy. It is also a country which last year experienced more than 8% growth — a rate about average for the countries of our region but well above the growth rates of Australia or of our traditional trading partners in Europe, the USA and Japan.

To sustain that growth and become a modern society, the country needs roads, highways, bridges, telecommunications, port administration, navigation systems, land title and management systems, power generation and distribution, water supply and waste disposal, food standards, education and training at all levels, health services and the overall underpinning of a system of commercial and administrative law. The list goes on.

From Australia's point of view, there are three significant features about all these. One, we are good at all these things in Australia — in some areas, we are the world's best. Second, we are close by. And third, the skills and technologies are, for the most part, located in the Australian public sector.

The picture I paint of Vietnam is to varying degrees true of most of our neighbours. Think of China, Indonesia, The Philippines, Korea, Thailand, Malaysia, Laos, Cambodia, Burma, Bangladesh, India, Pacific Russia, Papua New Guinea and the other Pacific Islands which are our friends and neighbours.

We are providing this expertise in these countries through the Australian aid program and through aid programs of the World Bank and the Asian Development Bank, through the specialised agencies and programs of the United Nations and, in Eastern Europe, through the European Bank for Reconstruction and Development.

Our customers are offshore, served by Australian state and federal government agencies in a way which was only just being glimpsed by a few far-sighted entrepreneurs when Gordon Reid was Professor of Politics at the University of Western Australia.

In Vietnam we have the key north-south electricity transmission line built by the

Electricity Commissions of NSW and Victoria, we have a land-titling system being planned and developed by the West Australian Department of Land Administration[2] and we have Australian state government enterprises involved in electricity generation and water supply. Many Australian universities and TAFEs have an involvement in reforming and developing the education and training sector. The West Australian Department of Minerals and Energy is helping Vietnam draft a modern mining law.

I am just completing a round of pre-posting consultations in the state capitals, and am struck by the extent of state government interest and involvement in Vietnam. That we have in Australia such a high-quality and sought-after resource is the result of 200 years of investment of the taxpayers' dollar, far-sighted government initiatives and investment in the physical infrastructure, research and development and human resource development. We in the public sector are now looking at a great opportunity to obtain a real commercial and other less-measurable but nonetheless significant return on that investment through our offshore activity.

To operate successfully and serve our customer effectively requires new skills, not essential when tending to our core business — serving the client at home. We need people who can understand the psychology, motivation and culture of our new clients, whether the Minister for Mines of Indonesia or the village women involved in a water project in Bangladesh. We need people who are not only technically competent in the development and delivery of services at home, but who are also skilled in identifying opportunities for the deployment and development of these services in new markets and marketing and packaging them in innovative and successful ways. We need people who can identify the new client's need and package the offerings to meet that need.

I was struck by a case study presented at a PSC Senior Executive Leadership course I attended recently. We learned about research carried out in TNT (Thomas Nationwide Transport), which identified three main groups of customers with different needs. To one group cost was all important, another valued other aspects such as flexibility, the third presented the company with one-off highly individualistic challenges — like moving an elephant from Darwin to Sydney zoo. TNT developed three groups of customer service staff to reach back into the organisation and tailor a package of services to meet each customer's need. The people who served the first group were the painstaking, accountant, bureaucratic types, while the last group were served by the highly individualistic purple-and-green-haired, earring-and-jeans-wearing Microsoft types. How many public service organisations have the flexibility and wisdom to recruit and deploy staff in a similar way?

At our embassies abroad, we have noted a destructive tendency for Australian public sector agencies to compete with each other for work offshore. Competition between the agencies of the various Australian states is fine when competing within Australia for Australian-funded aid programs and the competition serves to keep the state agencies on their toes to meet the government's requirement to ensure value for money. However, when its someone else's dollar we are competing for, it makes much better sense for states to shelve their jealousies and identify complementary components of a combined approach.

Important though these factors are, I suggest that the most significant barrier to our capacity really to use public service skills offshore for the benefit of the client at home is *risk*.

The commercial sector knows "high risk: high gain". We in the public sector have been brought up in an atmosphere of risk aversion. (I recall one of my early supervisors telling me that the most important factor for success was not to make any mistakes. A public service colleague in the Industry department repeated the same rule to me only this week. You cannot learn *without* making mistakes! The mistake-free organisation is a dead organisation.) But ministers, to whom we are responsible, do not want to be embarrassed by attracting criticism in parliament. And so we live with an elaborate set of laws, rules and regulations designed (imperfectly) to eliminate risk. They are designed to stop people doing things rather than to encourage them to move out, make and learn from mistakes, push back the boundaries of the possible, and maximise the return to Australia

on this huge historical and ongoing investment.

And there *are* risks in providing services in an offshore environment quite different from Australia's.

We are operating in a different, or non-existent, commercial legal environment, where agreements are made on the basis of personal relationships and on judgments about mutual indebtedness and informal sanctions against default. We operate in societies where corruption is endemic and systematic, where there is no transparency in decision-making, where principles of equal employment opportunity and industrial democracy are not significant factors, where, in the absence of general educational and health services, employers need to provide both general and skills-based education and training and health support, not only for the worker but for an extended family, and where there is no state superannuation or pension facility. Private-sector outsourcing of feeder services may also not be available. There may be no adequate protection for intellectual property.

All in all, an Auditor-General's nightmare.

There are also other risks, within Australia, which we need to guard against.[3] There is the risk that focus on our offshore work will be at the expense of our core responsibility — to service our domestic clients.

There are also risks, often voiced by the private sector, that we are competing unfairly. That our costing and taxation structures give the public sector agency an unfair advantage where there are also private sector suppliers.

So why do it? When is it appropriate to do it, and what is in it for us?

I do not believe there has been any coordinated strategic plan about all this offshore activity. I suspect that, as is the case in all entrepreneurial activity, there have been a number of individuals who have experienced the blinding flash and, for not particularly clear and logical reasons, have bulldozed the idea for the offshore activity through the naturally cautious doubting Thomases and bean-counters who probably still constitute the majority of our public service colleagues, the individuals who still make up a significant number of the "grey cardigan and radiator" brigade.

Let us start from the macro, global picture. It is arguably in Australia's interest to be located geographically in a stable friendly environment, in good relations with neighbouring countries whose populations enjoy a satisfactory standard of living, acceptable health and educational standards with growing diverse economies, able to consume what we need to sell and with a capacity to work collectively with us and others to anticipate and solve regional and global challenges, from coastal management and environmental problems to matters of global strategic security.

Such activity also preserves and generates jobs for Australians. In our mature economy, continually rationalising and downsizing, we are doing more with less and, in some areas, there is less to do. More sophisticated and reliable telecommunications, for example, means less maintenance and servicing. How many new electricity generating schemes are being developed in Australia? How much scope is there for significant expansion of our power distribution schemes? As the baby boom passes through, immigration levels reduce and school and university enrolments drop, how do we continue to employ and develop education industry workers? However, as experience in the education sector shows, you don't actually have to provide the service offshore — many of your offshore clients will come to you.

We know that a significant factor in the development and survival of any organisation in this rapidly changing world is the capacity to keep ahead of the game: to benchmark and be the world's best, to maintain a healthy level of research and development activity, to anticipate innovative solutions to problems which have not yet developed. It is difficult for us to do this in the mature economic environment of Australia. In some cases, the competitors against whom we need to benchmark are public utilities in other overseas countries. In telecommunications, water, power, we are up against formidable capacities based in the USA, France and the UK. They are also globalised and capitalised and compete with us in our region.

Operating offshore can thus help us maintain and develop the capacities to deliver to the taxpayer at home an economic, efficient and value-for-money service. And this offshore activity generates income which should make

for cheaper service to the taxpayer, without increased taxation.

This government sector activity also has a significant spin-off for the private sector. Outsourced R&D contracts, such as AWA's contract to develop a traffic control system for Sydney, lead directly to the creation of world competitive and highly marketable technology (Gross 1994). The expertise and systems developed on the Snowy Mountain scheme have for many years now been successfully marketed and applied offshore. Public sector agencies operating offshore also provide "coat-tail" opportunities for private sector skills and equipment. Thus the offshore operations of the State Electricity Commission of Victoria have provided export opportunities for the Australian mining sector and equipment manufacturers.

Work by public sector agencies in setting standards in mining codes, telecommunications law, and corporate law, building codes and so on pave the way for commercial opportunities abroad for Australian companies which operate as a matter of course to these standards. Added to all this, in a country like Vietnam government plays a central role in business decisions. Government is more comfortable doing business with government, partly because of implied guarantees in such arrangements. As Gordon Bilney, Minister for Overseas Development, has said:

> Government activity represents a third of all economic activity in Australia. We simply cannot afford to have so many resources tied up in producing goods and services that, while valuable in themselves, make little contribution to the country paying its way internationally (Bilney 1994: 153).

In short, there are real and significant benefits to Australia in using our public sector agencies to serve the customer offshore. The challenge to us in public administration is how to do it in a way which minimises or makes manageable the risk.

Until now, most of the risk has been minimised by providing these services through aid programs. The Government Export Finance and Investment Corporation (EFIC) also covers financial risk or help with risk management strategies. Programs funded by the taxpayer through the aid program employ Australians and provide to private and public sector organisations a chance, in a relatively protected way, to learn about doing business offshore, in a difficult work environment. There are, of course, benefits in doing the projects themselves, but a greater benefit to Australia can be gained once those companies and agencies, having learned from the experience, go on to obtain further work overseas, either funded by the taxpayers of other countries or in fully commercial ventures.

How to maximise the return and benefits to Australia and deal with the risks involved has, I know, occupied state governments. I have discussed these questions with state agencies in each of the capital cities as I travelled around Australia on my pre-posting consultations. RIPAA has held a national conference on this subject.[4] New South Wales, where I have worked for the last three years, is currently revising the guidelines it laid down for such activity by state government agencies. Queensland is actively working on a new framework. There is significant movement in Victoria.

One response to risk management has been privatisation. Another is to establish private-sector-model international arms of public utilities, as Pacific Power and SECV have done. But this will not be the appropriate response in all cases, and utility subsidiaries such as these, though corporatised, are not capitalised. They have no investment funds and, in the case of New South Wales at least, are currently barred by their governments from taking equity involvement in offshore projects. And yet the major return to Australia will sometimes come, not from low-return low-risk consultancies on major projects, but from an equity stakehold in the project itself. We are not going to develop new skills and new technologies in power generation within Australia, for example, at a time when all the new power station development and construction is going on in nations around us.

There are those, of course, who argue that government, by its nature, is not good at such entrepreneurial activity, and it ought to be left entirely to the private sector.

Another response to risk management is public sector membership of private-sector-led consortia for large offshore projects. So we see a

private international school established in Malaysia, using the NSW Board of Studies school curriculum and flowing on to first-year Sydney University accredited courses. We see port development and operation consortia led by the private sector and utilising public sector navigation and port management systems. In Vietnam, we see an Australian public sector agency taking a key role in a commercial, urban and industrial development project led by Taiwanese investment.

Investment funding for such consortia frequently comes from offshore: Taiwan, Korea and Singapore have passed Australia as the major investment countries in Vietnam. As the visiting Singapore Prime Minister Goh Chok Tong made clear during his recent visit to Australia, Singapore is now actively looking for Australian partners in developing projects for Vietnam and elsewhere in the region. The Japanese aid program allows for the use of Australian skills to complement those available in Japan for its ODA projects in the region.

I do not want to prescribe all the ways it might be done. What I want to do is highlight what is actually happening to us now, to point to the historic opportunity we have in Australia. I want to challenge each of us, in whichever arm of government we work, to look closely at our own organisations and the public environment in which we work, and see how we can serve the customer and the nation at home better by using our skills and resources to serve the customer offshore.

Flexibility and independence do not necessarily imply a relaxation of appropriate accountancy standards. We ignore the regulators and the bean-counters at our peril, but the challenge is to work within the minimum necessary constraint to harness the energies and skills and technologies which reside in the public sector and which represent so much of the richness of Australia.

How can we reap the benefits both economic and otherwise of enjoying, once again, the lucky country syndrome? We are, happily, placed in the fastest growing region of the world. Our neighbours have a wide range of needs and the growing means to pay for them. They are our clients offshore. We have the skills, technologies and sciences to meet these needs. There is an historic synergy: what Geoffrey Blainey called the "tyranny of distance" is now the advantage of proximity. We are still the lucky country.

But, as someone once said, "You know, it's funny, but the harder I work, the luckier I get".

So, to sum up, I hope I leave you this evening, at the start of your conference, with an outline of the opportunities facing us offshore in the public sector. I hope I have pointed to the benefits to us from developing these opportunities and meeting these needs. I hope that you will each look, within your own agencies, at the skills and technologies you possess, and consider creatively how these could most advantageously be used offshore. And I hope that you will look carefully at the legislative framework and regulations within which we work, test and question the restrictions, and devise strategies which measure, evaluate and manage the risk.

Parliaments are the ultimate guardians and decision-makers. Part of the solution will lie in our developing and maintaining an efficient, sophisticated and well-informed system of parliamentary committees — and that could be the subject of another Reid Oration!

If Gordon Reid were with us today, I feel sure this would be an area where his deep constitutional and parliamentary knowledge combined with his interest in the pragmatic yet principled solution would make a significant contribution to our endeavours.

NOTES:

1. The first Reid Oration was delivered in 1991 as part of the WA Division conference: the Orator was Dick Humphrey, then Director-General of the New South Wales Premier's Department and National President of RIPAA. The second Oration was presented in August 1993 by Dr Neal Blewett MHR, then member for Bonythan (South Australia); the topic was "Parliamentary Reform: the Challenge for the House of Representatives", commemorating Gordon Reid's long interest in parliamentary affairs (Ed).
2. On this development, see Mulcahy 1994.
3. See discussion in Wilkins 1994. All the articles in the symposium "Exporting Australian Public Sector Skills to the Asia-Pacific Region" in the June 1994 *AJPA* are relevant to the subject-matter of this Oration.

4. *AJPA*'s June 1994 symposium is based on this conference.

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