To begin with, I would like to congratulate John on a very clear and comprehensive discussion of a wide range of issues relating to trust in government and the improvement of public performance. In responding, I cannot do justice to his lecture as a whole but will add a few comments which I hope will be of interest.

On the general issue of trust in government, or, as John prefers to say, 'faith in government', the evidence for a world-wide decline is certainly incontrovertible. I would just add a reminder of the need to see this in comparative context, both historically and across countries. In the first place, Anglophone countries such as Australia, the United States and the United Kingdom, have been coming off a very big high. The wartime experience of pulling together successfully under governments united for a common purpose, followed by the long post-war boom presided over by demand-managing governments led to exceptional levels of confidence in government. Some decline from this peak was therefore inevitable. This is not to deny the force of other negative factors but it may add some perspective.

Secondly, Australians, again like citizens in other similar Anglophone countries, generally have better reason for trusting their governments than do citizens of most other countries. Critics may fret when we lose a few places on the Transparency International corruption rankings, but we are still firmly in the top fifteen out of nearly 200 countries. We can rely on our governments to run a fair election, to raise taxes in accordance with law and to regulate the ownership and transfer of property. Australians do not have to bribe an official in order to get a passport, a driver's licence or a disability pension. These basic privileges depend on a having an honest and competent system of government administration,
an advantage that is denied to most of the world's population. So we should be careful to count our blessings and not take them for granted, a point I'll return to later.

These examples remind us that the notion of 'government' itself is complex and includes two interrelated but distinct groupings: the elected politicians and their political supporters, on the one hand, and the government bureaucracy, on the other. Much of the declining trust narrative relates to the political class and electoral politics, to citizens' mistrust of politicians' discourse and motives and to their alienation from political parties and the party-based democratic process. In many respects these criticisms do not touch on the permanent bureaucracy, which is often assumed to trundle along regardless. The bureaucracy does attract its own critical narratives, as John has pointed out, but they tend to be less broadly based, coming more from pro-business elites supported by management experts and internal self-criticism.

On the political side, I largely agree with John’s analysis and have little to add. He is right to stress the impact of the rapidly changing communications and media world which is disrupting so many of our institutions and practices. Of particular concern are the attacks on civil discourse and the conventions of rational argument. On John's suggested political reforms, I agree that strengthening the accountability role of the senate makes a lot of sense, particularly as it builds on existing institutional structures. Senate committees are already a key mechanism of scrutiny through estimates investigations and ad hoc inquiries. The Senate Committee on Public Administration and Audit links the Senate with the Auditor-General and with the Audit Office’s important series of performance audits.

However, the extent and effectiveness of such scrutiny is dependent on the priorities of senators. Politicians naturally tend to be dominated by the imperative of pursuing their parties’ partisan advantage. Few see the detailed and dispassionate investigation of government performance as possibly contributing to their electoral popularity. For example,
the great mass of performance information now provided to parliament goes largely unexamined by the legislators for whom it is painstakingly prepared.

From time to time, centrist minor parties have adopted the role of government scrutineer, for instance the Democrats in the 1990s and the current Centre Alliance. But they are the exceptions that prove the rule. On the whole, senators, and politicians generally, see little political mileage in interesting themselves in the details of legislation or administration.

This apathy of politicians towards conscientious scrutiny of government indicates a wider paradox underlying the whole project for political reform. As John points out, the chances that any of his suggested reforms might actually be implemented is remote, even though they are hardly radical and have been designed to build incrementally on existing institutions. However, if the loss of trust in government were as deep-seated and pervasive as it is often claimed to be, one would have thought that opportunistic political parties would be keen to tap into this public disillusionment. Why isn’t an obvious change, such as reform to the appalling spectacle of question time, a vote-winner at election time? This is too complex an issue to answer easily. But one suspects that much of the so-called crisis of distrust in government is not really a major issue for most people. It’s more of an irritation, like the number of ads on TV or the quality of football refereeing. Something to grumble about with friends and neighbours in the pub or when pollsters ask for an opinion but not a matter to shift votes or political allegiances. This could be evidence of mass alienation from democratic politics or it could indicate an underlying tolerance and acceptance of the system combined with scepticism about the motives of the political class. Certainly our present prime minister thinks that average Australians happily tune out of politics most of the time because they have better things to do with their time. But this does not stop them voting according to their interests when elections come around. He may be right. At any rate, for whatever reason, issues of political reform remain an elite not a popular concern.
Turning now to the issue of the public service bureaucracy, elite preoccupation becomes even more pronounced. There are very few votes, if any, in public sector reform. Instead, debate is carried on between a few interested experts, largely through a continuous stream of reports and commentary. Much of this literature consists of generalised assertions with little reference to robust empirical evidence. As an antidote it may be worthwhile to consider one particular case, the home insulation or (‘pink batts’) fiasco of 2009-10. This is obviously exceptional and atypical, in that the policy of subsidising the installation of pink batts led to tragic failure, in the death of four young workmen. But as a result, the program became the subject of an extraordinary number of examinations and reports, culminating in a royal commission. Taken together these reports shine a light on many aspects of public service practice that are seldom subject to open scrutiny. I will mention three lessons from this episode (or ‘learnings’ as some now prefer to say).

First, the root cause of the failure was the inordinate speed with which the program was rolled out. The Department of the Environment, was under immense pressure from ministers and central departments who wanted to get the money spent quickly to counter the threat of a GFC-led recession. The hapless bureaucrats, who tried to proceed with due caution, were forced by their superiors to cut corners and hope for the best. Critics at this time were calling on the public service to be more agile and less process-driven. But the program failed because its implementation was too agile and not process-driven enough.

Secondly, the program failed because it led to four unnecessary and tragic deaths. In the private sector, deaths are not uncommon in the electrical and construction industries but do not lead to the same public outrage. The public sector is held to higher standards of care because it is expected to serve the public. It is also more accountable – the home insulation program deaths would never have become a matter of such scandal without the relentless attacks of the opposition, then led by Tony Abbott at his most effective. These public
expectations require public servants to be more careful about individual cases, to keep better records and to be ready to face public investigation. In other words, the notorious caution and risk-aversion of public servants are, at least in large part, rational responses to public demands. Management experts who argue that the public service should emulate the levels of agility and flexibility achievable in the private sector are therefore ignoring the fundamental differences between the sectors.

Thirdly, the program failed because the department in the frontline, the Department of the Environment, lacked the capacity to handle the extra demands suddenly imposed upon it. In response, the department’s leadership did what other departments do when they are similarly caught short. They called in the consultants. Consultants were engaged for almost every stage of the program – the business plan, the risk assessment, compliance and audit, fraud control and call centres. At least six firms were involved, including three of the big four. At the time, the extent of blame that should be attached to the consultants was hard to assess, because they remained largely unaccountable, beyond the scope of the Senate and the Auditor-General, and of no interest to the Abbott-led opposition.

Fortunately, however, the royal commission, subsequently established by the Abbott government, was not so constrained. It conducted a full investigation of all those responsible for the program. For example, its cross-examination of the consultant in charge of the risk assessment is excoriating and would have been career-ending for any public servant similarly questioned in a senate committee. It emerged that the consultants had applied an off-the-shelf, one-size-fits-all risk assessment template without taking sufficient note of specialist experience relating to the home insulation industry. At the same time, the department was unable or unwilling to question the competence of the consultants’ advice and let it stand. The home insulation program was certainly a one-off, both in its tragic consequences and the extent of accountability. But one suspects that the experience with consultants, in which the
consultants were over-confident and the public servants over-deferential, was far from
untypical.

The role of consultants, as John observes, has become one of the major issues facing
the present-day public service and is worth considering further. Each year sees an increase in
the amount of public funds allocated to consulting firms and a corresponding decrease in the
proportion of government advice and policy delivery provided by career public servants.
Does this matter?

Some of the objections are unconvincing and self-serving. The public sector union, for
example, naturally wants to see its membership maintained and expanded and opposes all
outsourcing on principle. The Australian Labor Party is also suspicious for similar reasons,
though it has made extensive use of consultants when in government. In addition, many of
those employed in the public sector have a similar ideological preference for their own kind,
combined with entrenched suspicion of the private sector. The rational response, however,
must always be to ask, on any occasion, which organisation, public or private, can provide
the service most efficiently and effectively.

From this perspective, reliance on external professional advice and services may often
deliver value for money. Like outsourcing generally, the key factors to look for in the long
term are the ease of specifying what is needed, the capacity to hold the provider to account
for compliance, and the existence of a competitive market of alternative suppliers. On these
criteria, the cases for outsourcing basic services, such as cleaning, catering and rubbish
collection are overwhelming.

In the case of higher-end services, however, such as policy advice and program
delivery, the arguments become more complex and contested. One obvious reason for going
external is to purchase skills that the agency lacks. But why does it lack them? Perhaps the
agency has made a considered decision not to invest in skills that are too specialised and
needed only occasionally. But what if the agency would prefer to have the skills in its permanent armoury but has lacked the resources to invest in them. In that case, short-term economising is undermining longer-term efficiency and effectiveness. This has long been the current position for federal agencies facing a continual squeeze on their resources through so-called efficiency-dividends combined with the cap on public service numbers.

It is all very well for ministers to say that the choice for agencies is simply about which organisation, internal or external, will best do the job. But if the resource capacity of government agencies to compete with the private sector is being deliberately held down, the decision is being loaded against them. This may suit the ideological preferences of the current government, which generally favours the private sector over the public sector, but it may not always be in the public interest.

Also favouring the choice of consultants is a general presumption among many public servants that the consulting firms, especially the big multinationals, are more experienced and give value for money. In the light of the home insulation experience, this is a presumption that we have reason to challenge. Overall, then, we should be sceptical about the extent of the current reliance on consultants and about whether it is always based on a rational consideration of efficient and effective government.

We should also question whether the terms of this debate adequately capture all the important functions performed by a permanent public service. This brings me back to my opening comment about the fundamental importance of a rule-based, law-abiding bureaucracy. When we talk about getting jobs done efficiently and effectively, we automatically assume that this will include the necessary respect for values such as integrity, impartiality, accountability and due process. These values are entrenched in the public service act and are defining characteristics of a Westminster-style bureaucracy. Private sector organisations, on the other hand, are not naturally committed to all of these values in
the same way, being more concerned with profitability and unfazed about impartiality. If they undertake to provide public services, extra care needs to be taken that public expectations of due process and fairness are not breached. Again, this is not a difficulty with straightforward contracts which approximate to one-off procurement. But for ongoing complex activities, like social services, the values deficit can become more problematic. For this reason, governments often prefer to work with the non-profit private sector because its values are more aligned with those of the public sector. Commercial contractors are often required to sign up to aspects of public service values for the duration of the contract or to allow access for government auditors. None-the less, the gap in values remains. The more that publicly-funded services to the public are provided by organisations other than the career public service, the greater the risk that traditional public service values will become neglected. For this reason it is important always to stress that government performance should be efficient, effective and ethical. Considerations of ethics and integrity should not be taken for granted or allowed to fall by the wayside..

This caution is particularly crucial in the current international environment when we are seeing an unprecedented attack on the guiding principles of liberal democratic government, including the rule of law and respect for constitutional convention. For most of our history these principles have been part of our general political consensus, upheld by all sides of politics and protected by a non-partisan public service. With sustained attack from political conservatives in our two constitutional role-models, the UK and the US, this consensus is looking much less secure. In Australia, we are far from the iconoclasm of a Johnson or a Trump, but not that far. There are signs from within the government of open disrespect for process and an impatience with regulation. There is little obvious appreciation of the value of a permanent non-political public service in terms of its constitutional role of upholding liberal democratic principles. The Thodey review provides an ideal opportunity for the
government to quell such doubts by giving the public service a ringing endorsement. Let’s hope it rises to the challenge.