



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**Public Governance, Performance and
Accountability Amendment Bill 2014**

Second Reading

SPEECH

Thursday, 5 June 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Taylor, Angus, MP

Source House
Proof Yes
Responder
Question No.

Mr TAYLOR (Hume) (09:18): I rise to talk today about the Public Governance, Performance and Accountability Amendment Bill 2014, but I want to start by talking about a revolution, a revolution that has been sweeping across the world for over 20 years; a revolution that has delivered us better products, better services and better lives; a revolution that has been changing the way people work, how they spend their time and the way they interact with each other; a revolution which until recently has largely passed over the public sector, particularly the last federal government. It has many names. Some call it a performance culture. Some call it performance focused management. One expert gave it the absolutely terrible name 'deliverology'. The name is not important, but the idea is simple: we can use simple management techniques to ask people to focus on what really matters and to deliver what really matters to customers and other stakeholders.

In 20 years as a management consultant, I saw the impact time and time and time again, so let me illustrate with a simple example. I was working for a small building products business which had struggled for many years to make money. The business sold plasterboard to tradesmen and builders. The chief executive of the holding company said to me and my team, 'You can't make it any worse than it is, so do what you like.' So we did. We set realistic but aggressive goals based on what really matters to customers and shareholders. We decentralised each part of the business and gave employees autonomy, the freedom to get on with the job. We signalled to the employees that there would be clear benefits to them personally if they delivered on their goals and clear consequences if they failed to deliver, but we also signalled that measured risk-taking and innovation were acceptable and encouraged. We reported on the performance across the organisation in a way that was simple and comprehensible to all. We made those performance outcomes transparent, and we clearly ranked them.

The results were stunning. The business delivered. In fact, it delivered outcomes that no-one could ever have anticipated. Customers, shareholders and, importantly, employees were all far happier. A few employees, a small number of employees, were not able to make the transition, but the success rate was far beyond expectations. Most of the employees actually loved it,

because most human beings want to do good work. Most human beings want to deliver. Most want to contribute.

I hear you say: what has this got to do with public services? Everything, I say, because we have a long, long way to go on this journey in the federal government. At a time when we have to make every dollar count, when we need to deliver more with less, I cannot think of a more important issue to discuss. But the story over recent years has been sobering. Let me give you a few examples of the epic failure in the performance of the previous federal government—mess after mess after mess, as documented in the *Labor's Mess 2007-2013* compendium, which is available on the internet. Let me start with education. If we apply the simple techniques that I described earlier to look at the targets we should be seeking to achieve and what we actually achieved, the story is appalling.

If we start with the quality of primary education, between 2007 and 2013 we moved from 12th to 22nd in the world. If we look at the quality of the education system, we moved from eighth in the world to 23rd in that same six-year time period. If we look at the quality of maths and science education, we moved from 24th to 37th. And, if we look at the availability of research and training services in our education system, we moved from 16th to 23rd. By any measure, this was an appalling outcome.

If we move to the NBN—and this House has heard much about the failure in delivery of the NBN—the results were similarly appalling. In the 2010 business plan, the target for 2013 for houses passed by fibre was 1.27 million. The result was 208,000, less than 20 per cent. If we look at houses with fibre service, the target was 511,000. The result was 34,000. This was an epic, epic failure in delivery.

If we look at the immigration program, the target was to avoid illegal arrivals, but the results were similarly stunning. In 2008, based on the benefit from the very good policy of the previous Howard government, there were 161 arrivals, although they were climbing fast. In 2009 there were 2,700. In 2010 there were 6,500. By 2012 there were 17,000. And then of course in 2013 there were 20,587. What an epic, epic failure of delivery.

I could go on. There is a long list. That is just the tip of the iceberg. We had six years where the federal government was not able to deliver. Given that we have many governments in Australia—state governments and local governments—and many governments around the world to compare ourselves with, surely someone else in government has already applied the approach that I described earlier. The answer is yes, they have, and some have done it well. Indeed, the Labor Party's hero in the UK, Tony Blair, focused a huge effort on government accountability and, despite the critics, the results were worthwhile.

I take the example of Her Majesty's Revenue and Customs, the equivalent of our ATO. I can go onto a website in the UK and see, in very simple form, all the indicators that the equivalent of our tax office in the UK is pursuing, laid out quarter by quarter in a very clear fashion. I can see where they are improving and where they are not. It lays out customer service indicators, looking at how satisfied people are in their dealings with their tax office. It looks at cost indicators, what the cost of collecting tax is, by different types of tax—corporate tax, income tax and so on. I can also see the tax revenue indicators. I can see exactly how they are going on collecting tax. I can see what the tax gap is. I can see exactly how much money is not being collected that could be collected. We do not have a similar set of measures.

Closer to home, we are seeing the same approach that I have just described in the UK emerging in a number of state governments. In New South Wales and South Australia we have clearly established regimes for planning and performance management. This should be bipartisan, but the last Labor federal government did next to nothing. If we had had this sort of performance focus over recent years, many of the disasters of the last government might have been avoided.

In this context, let me turn now to the Public Governance, Performance and Accountability Act. This act was enacted under the former government and will take effect from 1 July this year, to replace the Financial Management and Accountability Act and the Commonwealth Authorities and Companies Act as the primary financial legislation of the Commonwealth. The PGPA Act governs the management of public resources by government bodies and deals with internal governance. But, in keeping with the former government's usual performance, it enacted this act in haste and without undertaking adequate consultation. Subsequent work has identified several areas of incomplete or ineffective drafting, where revisions are required before the new act comes into effect on 1 July.

This bill would, if enacted, amend the original act to make several technical amendments to improve

the understanding and operation of the act in line with the government's commitment to streamlining and simplifying requirements of government entities. The amendment bill that we have in front of us makes amendments to the original act, but above all it seeks to clarify the financial framework and embed the policy positions that have been agreed upon further to the consultations—which needed to be conducted—that the Department of Finance has undertaken with relevant ministers and agencies.

It is worth emphasising that, rather than prescribing detailed requirements, the act establishes a core set of obligations that apply to all officials within government entities. Under this simplified financial framework, officials within Commonwealth entities will have the flexibility and incentives to achieve diverse policy and statutory objectives effectively and efficiently. They will be held to high standards of accountability through a more explicit framework for monitoring and evaluating performance.

The overall act reflects four very important guiding principles: (1) that government should operate as a coherent whole, (2) that a uniform set of duties should apply to all resources handled by government entities, (3) that performance of the public sector is broader than financial and (4) that engaging with risk is a necessary step in improving performance. All of this of course is an important first step down the path of genuine performance management and accountability for government departments and agencies.

I want to stop for a moment just to talk about one particular aspect of this, which has come up in this House a number of times and that is the impact of this government's policies on Canberra and on the Public Service. You will hear, from time to time, Canberra based politicians arguing that we are seeing a huge problem for the future of Canberra. In reality, when we left government in 2007, 60 per cent of Canberra's economic activity was in the private sector. Under the previous government, that dropped to 50 per cent. Canberra moved in exactly the opposite direction of where it needed to go. This is important to my constituents because so many of them work here in Canberra and so many of them come to Canberra for contract work or employment, as well as for other activities. But across Australia 85 per cent of employment is in the private sector. This is what we should be aspiring for for the Canberra region. After years and years of Labor ACT governments we have seen a complete failure to activate the private sector in a city and a region that holds enormous potential. This is what we should be focusing on. It is the potential that I see for this region, which will have a huge, positive impact on my constituents. But it will require a change in mindset from the ACT government, it will require

a change in mindset from Canberra politicians and it may actually require a change in who the Canberra politicians are.

Let me finish by coming back to the bill in front of the House. Now, more than ever, we need governments that can deliver on their programs. Now, more than ever, we are driving a cultural change in managing Commonwealth resources. After six years of failed programs, a number of which I have already documented, Australians have had enough. If there is one thing I have heard on the streets of my electorate in the last two years, more than anything else, it is that they want competent governments.

The performance standards that have been adopted by the private sector must be institutionalised across the federal Public Service. It must be gradual and staged reform, sensitive to our starting point. But if we are to move our country forward, to compete effectively on the global stage, the ultimate reform must be transformative. I commend this bill to the House.