



Secretary's Review

Dr Peter Shergold



Changing of the guard

After almost seven years as Secretary of the Department of the Prime Minister and Cabinet, Mr Max Moore-Wilton AC resigned on 20 December 2002 to take up the position as Chief Executive Officer and Executive Chairman of the Sydney Airports Corporation. I took up the position of Secretary to the Department of the Prime Minister and Cabinet in February 2003.

Max is a larger-than-life figure who led the department with great authority. Fearless, demanding and intellectually rigorous, he provided strong support to the Prime Minister and to Cabinet. His shoes are not easily filled. Thankfully he left behind a highly professional, committed and creative department. Its people are second to none and I feel lucky indeed to have such a fine team to work with.

The year in review

The tragedies sparked by events overseas have had a profound effect on the Australian community. Inevitably those issues presented a recurring theme for the work of this department during the past year.

As I emphasised in an address to staff early in my term as Secretary, the threat of global terrorism has transformed our lives. Terrorism has altered Australia's place in the world in a profound manner. It has long-term consequences for the nation – and for its public servants. Many of Australia's greatest strategic and political challenges are emerging in areas of domestic security, border protection and counter-terrorism. Those issues, typically 'non-routine', will test bureaucratic structures. Ensuring effective coordination of intelligence, analysis and strategic policy responses will test public administration. Certainly we will need to build up and restructure resources within the department.

International events

The period from July 2002 to June 2003 was one of considerable significance for Australia's role in world affairs. A number of international events had a profound and lasting impact on Australia and Australians – in particular, the October 2002 terrorist attack in Bali and the government's decision in March 2003 to commit Australian forces to the international coalition to enforce Iraq's compliance with its United Nations Security Council obligations. The Prime Minister's intensive programme of overseas travel during this period reflected the higher tempo of global security challenges.

In addition to coordinating the Australian Government's response to the Bali bombings, the department made a strong contribution to building Australia's capacity to cooperate with countries in our region on counter-terrorism. In the second half of 2002, the focus of the international community shifted to Iraq's continued refusal to comply with its obligations under successive United Nations Security Council resolutions. The department assisted the Prime Minister in the important role he played by lobbying key members of the council in support of United Nations Security Council resolution 1441. During the critical phase of Australian Defence Force action between March and May 2003, the department chaired the Iraq Coordination Group, established to ensure cross-portfolio coordination and to support the Secretaries' Committee on National Security and the National Security Committee of Cabinet.

The department continued to support the Prime Minister's leadership roles as both Chairman in Office of the Commonwealth and Chairman of the Commonwealth leaders' troika on Zimbabwe. With the Pacific region a major focus of government foreign policy activity, the department was heavily engaged in governmental responses to regional challenges, notably in shaping a revised policy approach to the Solomon Islands. It is clear that many Pacific Island countries look to Australia for support in providing assistance in ensuring law and order, improving governance and restoring civil society. The theme of 'Helpem Fren' is likely to be a continuing motif of the year ahead.

As part of the government's substantial trade agenda over the past year, the department assisted the Prime Minister's efforts to secure the United States' agreement to commence negotiations for a bilateral Free Trade Agreement. It also supported his leading role in securing a contract to supply China's Guangdong province with \$25 billion worth of liquefied natural gas over 25 years – Australia's largest single export deal.

Domestic security and border protection

The Bali bombings brought home forcefully the importance of a coordinated approach to counter-terrorism. The department led the Review of Commonwealth Counter-Terrorism Arrangements, commissioned by the Prime Minister. As a result of the review, further measures were introduced to enhance our counter-terrorism capability, with the department taking the lead role in policy coordination. On 24 October 2002, the Prime Minister, Premiers and Chief Ministers signed an Inter-Governmental Agreement, which provided for improved national coordination through the National Counter-Terrorism Committee. Those arrangements are reflected in the new National Counter-Terrorism Plan, launched by the Prime Minister on 11 June 2003.

In the current security environment, the government identified an urgent need to inform the public not only about the counter-terrorism measures being taken to protect our way of life, but also how all Australians can contribute to national security. The department led a taskforce to develop the national security campaign, launched in December 2002, along with the National Security Hotline. As a result members of the public can call 24 hours a day, seven days a week, to report any concerns about suspicious activity.

It is clear that defence, security and intelligence issues can no longer be seen as adjuncts to international policy. The threat of terrorism places new demands on the structures and culture of public administration. I therefore established a new National Security Division on 1 July 2003 to ensure national security is provided in a whole-of-government manner.

Through its chairmanship of the National Counter-Terrorism Committee, the department will also ensure that the Australian, state and territory governments work closely together on national security issues. At the December 2002 meeting of the Council of Australian Governments (COAG), leaders renewed their commitment to a strong, nationally coordinated approach to counter-terrorism.

A further significant outcome from the COAG meeting was an agreement to take a national approach to restrict the availability and use of handguns. This will reduce the number of handguns in the community and strengthen controls over access to handguns.

The importance of ceremony

Ceremony plays an important role in sharing the trauma of national tragedy and recognising national achievement. It provides a means to articulate, with great symbolism, the mood of the nation.

The department organised a National Remembrance Service at St Christopher's Cathedral, Canberra, on 11 September 2002 to mark the anniversary of the September 11 (2001) terrorist attacks in the United States. In the sad aftermath of the Bali bombings on 12 October 2002, the department also organised a National Memorial Service for the victims in the Great Hall, Parliament House, Canberra, on 24 October 2002.

We organised the welcome home parades and receptions in Sydney (18 June 2003) and Perth (20 June 2003) to honour Australian Defence Force and Defence civilian personnel who contributed successfully to operations in the Middle East.

Supporting Cabinet

In a wide-ranging speech to the Committee for the Economic Development of Australia in November 2002, the Prime Minister announced an extensive review by Cabinet of the government's broad strategic priorities. The priority setting exercise was a key element of changes to the Cabinet process proposed by the Prime Minister earlier in 2002, with the purpose of strengthening the strategic leadership role of Cabinet. The department, in its traditional role of supporting the Cabinet process, played an important role in the successful implementation of the reform agenda.

As a result of those changes to the Cabinet process, Cabinet is now able to focus on the business most in need of collective discussion. There has been a significant

structured increase in the opportunities for discussion of broader strategy at each Cabinet meeting and two special meetings of Cabinet were held during the year to consider the government's major strategic priorities.

Towards the end of 2002–03, arrangements were being finalised to transfer responsibility for supporting the National Security Committee of Cabinet and the Secretaries' Committee on National Security from the department's International Division to its Cabinet Secretariat. This will bring the processes for these two important committees closer to those of Cabinet and other Cabinet committees, and concentrate the support responsibilities in a specialised support area.

A new Cabinet Implementation Unit will also be established early in 2003–04 to ensure that Australian Government policies and services are being delivered to the community in a timely and responsive manner. As I said to my staff in May, in emphasising the need for committed delivery of services on behalf of government, 'we should aspire to an APS which is respected as much for its capacity to deliver as for its ability to develop policy'. Together with the Cabinet Secretariat, the unit will form part of a new Cabinet Division, working with agencies to ensure timely and effective implementation of government decisions.

Contributing to social support programmes

Sustainable social support systems in health, welfare, education, immigration and indigenous services are critical to maintaining the fair, compassionate society of which Australia is so justly proud. But with limited resources, governments face difficult choices. Often, there are no easy solutions. Effective development of policy options requires a whole-of-government, interdisciplinary perspective founded on open discussion, debate and collaboration across the Australian Government, between jurisdictions, and with experts and stakeholders in the community.

The Department of the Prime Minister and Cabinet is in a unique position to develop further whole-of-government perspectives, bringing departments together and leading the debate within government. The Social Policy Division helped shape the debate in a number of key areas during 2002–03.

Strengthening the health care system

Sustainability and effectiveness are key issues in health. Our health system needs to keep pace with advances in medical science and technology, and the improvements to health and welfare that they offer. But the government also needs to keep costs under control. With these objectives in mind, the department helped develop balanced government responses to new proposals for Medicare, playing a significant role in the development and negotiation of the *A Fairer Medicare* package. We assisted with a review examining how to ensure the future sustainability and effectiveness of the Pharmaceutical Benefits Scheme. The department also worked collaboratively with other agencies to find ways to improve private health insurance regulation, the population health programme and the hearing services programme and to curb damage to individuals and our community through drug and alcohol abuse.

The department oversaw, and provided advice to the Prime Minister on, the implementation of the COAG decision to ban human cloning and to regulate research involving human embryos, particularly in the development of the Commonwealth legislation, which was passed in December 2002. We will continue to work closely

with the states and territories to implement a nationally consistent approach on this issue.

A further challenge in the coming year will be to oversee the work of a new taskforce, jointly chaired by this department, which is examining options to reduce the amount of 'red tape' faced by general practitioners to allow them to spend more time caring for their patients. I see this work as having wider implications. As public servants, carefully constructing delivery programmes for the very best of policy reasons, we can sometimes fail to appreciate the administrative complexities faced by recipients. The question, at least, is simple: do the benefits that derive from the policy outweigh the red-tape costs involved?

Supporting individuals, families and communities

This was a turbulent year for Australia. The drought, bushfires and the Bali terrorist attack had a profound impact on many Australians. To assist families and individuals, the department played a key role in coordinating appropriate responses. We helped to facilitate the provision of health services, travel and other financial assistance for victims of the Bali bombings. We played a key role in developing a suite of measures in response to the drought affecting large parts of Australia.

The department's involvement in the development of the National Agenda for Early Childhood illustrates the department's role in cross-portfolio initiatives. The agenda provides directions for a whole-of-government approach for future investment in early childhood and explores the causal pathways that lead to destructive experiences for children and young people. The agenda explores early intervention approaches to prevent homelessness, violence and crime.

The higher education sector too faces profound challenges. How can universities diversify, reward quality and meet cost pressures? How can 'uniform mediocrity' be avoided? To address these concerns, the department worked with other agencies to develop the reform package *Our Universities: Backing Australia's Future*. The reforms will allow the sector to develop in a way that is sustainable, promotes diversity and choice, supports high-quality outcomes and is equitable. Through the proposed extension to student loans, more Australians will have the opportunity to undertake a university degree that is free at the point of education.

This year the government examined better ways of providing settlement services to migrants in the Australian community, resulting in the report *Review of Settlement Services for Migrants and Humanitarian Entrants*. The ability of the department to achieve whole-of-government solutions means that in the year to come we will chair a taskforce that will look at ways to maximise the nation-building benefits of Australia's migration and humanitarian programme.

Working with the states and territories

The most difficult challenges of public policy defy jurisdictional boundaries. The Australian Government endeavours to assist and work with states and territories. It provides both funding and strategic direction to assist them with a range of social support systems. This year several agreements for this funding are being renegotiated. In partnership with relevant agencies, the department played a key role in developing the Australian Government offers. The agreements included the Commonwealth-State-Territory Disability Agreement; the Commonwealth-State Housing Agreement;

the Australian Health Care Agreements; and the Australian National Training Authority Agreement.

Intergovernmental issues of national significance are largely pursued through COAG. The department continued to chair the COAG Senior Officials' meetings and provide secretarial services to COAG, advancing a range of important national issues.

In April 2002 COAG agreed to trial a whole-of-government cooperative approach in a number of indigenous communities. The aim of these trials has been to improve the way governments work with each other and with communities and, through greater cooperation and flexibility, to deliver more effective responses to the needs of indigenous Australians. These trials are an important opportunity to construct new ways of working with communities across jurisdictions. Hopefully, the lessons learnt will be able to be applied more broadly. The department is taking a keen interest in their progress.

Work and family

The department led the Work and Family Taskforce, established by the Prime Minister, to review policy and develop options for the government to consider in a range of areas, including paid maternity leave, financial support for families, child care, employment services and family-friendly workplace policy. It is anticipated that the results of these endeavours will emerge in the year ahead.

Sustaining economic growth and supporting economic prosperity

Australia has been able to sustain strong economic performance over the past decade, notwithstanding the Asian financial crisis in the late 1990s, a series of recessions in Japan and sluggish growth in Europe and, more recently, in the United States. As a consequence of our strong performance more than one million jobs have been created in the past seven years, the unemployment rate has fallen by two percentage points and real household income has risen by an average annual rate of almost 2 per cent.

Australia's strong economic performance has reflected sound fiscal and monetary policies on the one hand, and the cumulative effect of widespread and ongoing structural reform on the other.

During the year, Economic Division and Industry, Infrastructure and Environment Division provided policy advice to the Prime Minister aimed at maintaining Australia's growth potential over the medium to longer term. The objective is to maximise the benefits of reforms to date and to embrace a number of significant new areas of reform that will help underpin further growth or address market failures.

Macroeconomic policy

This year was a very testing one for the Australian economy in the face of the worst drought in a century, global economic weakness, the war in Iraq and other international tensions. The department played a pivotal role in providing economic assessments to the Prime Minister and analysing the implications for policy settings.

The department, through its role on the Budget Coordination Committee of officials, and in supporting the Prime Minister in his role as Chairman of the Expenditure Review Committee of Cabinet, played a central role in ensuring an effective 2003–04

budget process. As always, it provided coordinated advice to the Prime Minister on fiscal strategy, expenditure and taxation priorities. Policy advice across the many areas of the department was coordinated to ensure that it was consistent with the government's fiscal priorities and a whole-of-government approach to policy issues.

Medical indemnity insurance

In April 2002 the nation's largest medical indemnity insurer, covering around 60 per cent of the nation's doctors, went into provisional liquidation. The Prime Minister asked the department to convene a secretary-level taskforce, supported by departmental officers, to consider what government initiatives might be appropriate. The taskforce initially advised ministers on a guarantee to underpin the stabilisation of United Medical Protection and its subsidiary Australasian Medical Insurance Limited (UMP/AMIL). The guarantee allows UMP/AMIL members to continue to practise until the end of 2003 in the knowledge that claims will be met and that they will not be personally bankrupted by negligence claims.

Following extensive consultations with a wide range of medical and insurance groups on the complex issues involved, the taskforce then provided advice on a comprehensive strategy. A package of measures was announced by the Prime Minister in October 2002 to address rising medical indemnity insurance premiums and ensure a viable and ongoing medical indemnity insurance market. A number of supplementary measures to fine tune and extend the original package were subsequently developed and announced, to respond to issues that arose during detailed implementation and ongoing review of the effect of measures taken. The overall response to measures announced has been positive. The medical indemnity insurance situation has been stabilised and improved to the benefit of medical practitioners and the community.

Other insurance issues

The Australian economy has also been adversely affected by sharp rises in the cost of public liability, professional indemnity and general insurance, coupled with the reduced availability of insurance. This has required the Australian, state and territory governments to cooperate in developing measures to improve the affordability and availability of insurance.

The department has played a key role in preparing an Australian Government position for the series of Australian Government-chaired ministerial meetings on public liability and professional indemnity insurance issues.

Natural resource management

The department is leading the development of an Australian Government position on water. Following the December 2002 COAG meeting, a water taskforce was established within the department to progress the issue on a whole-of-government basis. The department has also been chairing a Commonwealth-State working group, reporting through the COAG Senior Officials' meeting to COAG. The group has been forging agreement from all states and territories on a proposal to develop a National Water Initiative. This important work will be a focus of our activities in the year ahead.

The objective of the initiative is to increase both the productivity and the sustainability of water use nationally through improved water management arrangements in states and territories, building on the 1994 COAG water reform

agreement. In particular, the initiative will improve the security of water access entitlements (including by clear assignment of risks of reductions in future water availability), implement regimes to protect environmental assets at a whole-of-basin, catchment or aquifer scale, encourage the expansion of water markets and trading across and between irrigation districts and state borders (where systems are physically shared), and encourage water conservation in urban areas.

As an adjunct to this work, the department will lead the development of an agreement with New South Wales, Victoria, South Australia, and the Australian Capital Territory, to expend \$500 million over the coming five years to address water overallocation in the Murray-Darling Basin.

The department is also leading the Australian Government participation in negotiations with Queensland and key stakeholders over a proposal to reduce land clearing in that state. This would make a substantial contribution to meeting the Australian Government's objectives for greenhouse emissions and biodiversity.

The National Action Plan on Salinity and Water Quality and the Natural Heritage Trust are two Australian Government flagship programmes, underpinning national work to improve natural resource management across Australia. The department intends to play an increased role in overseeing the implementation of these key programmes.

The drought created massive problems throughout Australia during 2002–03. The department advised on the development of a series of drought relief measures including changes to Exceptional Circumstances assistance, the provision of one-off income support, and other drought initiatives such as small business interest rate relief.

The department also played a key role in advising the Prime Minister on establishing a national bushfire inquiry, in the aftermath of the tragic bushfires over the 2002–03 bushfire season. Once agreement of the states has been obtained, the inquiry will commence operation, with a report to be presented to governments in early 2004.

Land transport infrastructure

The department advised the Prime Minister on measures to improve the provision of road and rail services across Australia, including the development of the Auslink Green Paper, which aims to achieve a better integration of land transport infrastructure.

Energy

The department continued to provide the Prime Minister with advice on energy matters. Its review of natural gas issues in 2001–02 led to further work on energy and resources matters, including on strategic investment and a Productivity Commission Review on natural gas regulation. As mentioned earlier, we also provided the Prime Minister with support in bolstering the North West Shelf successful bid to win an important natural gas contract in China.

In order to give greater focus to the development of a long-term strategic approach to energy policy, an Energy Taskforce Secretariat was established in January 2003. It will examine and report to the Prime Minister and to the Energy Committee of Cabinet on a broad range of energy policy issues. The first package of decisions, relating to fuel excise, was announced in the 2003–04 Budget.

Government operations

The decision by Dr Peter Hollingworth to stand aside from the position of Governor-General and his subsequent resignation involved the department in the provision of advice on a range of legal and administrative issues that had not previously arisen. As the financial year ended, the department was preparing for the swearing in of the new Governor-General.

The year saw the conclusion of the two royal commissions established by the government in 2001. The Building and Construction Industry Royal Commission reported to the Prime Minister on 24 February 2003 and the HIH Royal Commission on 4 April 2003. The department provided advice on the recommendations of the commissions and was responsible for the significant task of ensuring appropriate management of the records of the commissions.

Women

For the Office of the Status of Women (OSW) there were a number of highlights during 2002–03.

The women's data warehouse, launched in February 2003, provides a single source of data for and about women across a variety of important issues, such as employment, education, income and superannuation. It also includes population data from the Census.

The women's internet portal was launched in March 2003. The internet portal provides a single point of online access to government information for and about women.

OSW hosted the second national women's conference, Australian WomenSpeak 2003. The forum enables discussion and information exchange between governments, service providers, women and women's non-government organisations. A theme of the conference was to recognise women of achievement and to pay tribute to the Hon. Dame Margaret Guilfoyle DBE and the Hon. Susan Ryan AO for their outstanding contribution to women in politics.

The Time Use Fellowship programme was established by OSW to encourage and support original research using time use data from a gender perspective. The first fellowship was awarded in January 2003 for research on time pressure within the family unit. The second fellowship was to be granted in July 2003.

The department's people

I expressed in my address to staff on 14 May this year that I have been extraordinarily impressed by the performance of the department and its people. And I continue to be particularly pleased by their commitment to achievement, their willingness to sacrifice in order to get things done, and the support that I have received from them.

In that address I identified four departmental goals we should set in order to be able to serve the Prime Minister and the government most effectively. First, we need to be open in the way we deal with other public service agencies, to share information, to seek agreement and to be outward looking. Second, we must ensure our role is seen by other public servants to be supportive, recognising that all parties are able to contribute equally. Third, we need to make sure our approach is collegial, seeking

to work collaboratively rather than to 'second guess'. With that in mind I have been talking with my secretarial colleagues about the prospect of up-and-coming officers from other agencies, particularly line departments, working in this department for a time under a scheme which I have called the Development Opportunity Secondment Scheme. Fourth, we need to have a strategic approach providing a longer-term vision to government.

In short, we should see our role as seeking to ensure that we have a whole-of-government approach to the provision of information, the development of timely and accurate policy and the seamless delivery of programmes. That is why whole-of-government issues are the subject of the first major review to be undertaken by the Management Advisory Committee under my chairmanship. There is no higher priority for the Australian Public Service.

I want to do more to support and recognise the people who support me. I have established a new People and Resource Management Branch which will place a much greater emphasis on investing in ourselves. This will involve providing on-the-job workplace training, skills acquisition training and more career development opportunities. The branch operates within a new People, Resources and Communications Division that will manage more strategically our finances, information technology, communications, and our people.

This new arrangement is complemented by a new Management Strategic Advisory Committee and a People and Leadership Committee. The latter, which I chair, will focus on providing increased support and recognition to staff and improving workplace flexibility to allow more opportunity to balance heavy workplace pressures with the need to enjoy a fulfilling personal and family life.

Building our resources

To undertake our role and responsibilities to a high standard, we need resources that are structured appropriately and managed with an emphasis on organisational performance. I will be committing additional funding provided in the 2002–03 Budget to assist the department in meeting the increasing policy demands associated with the government's strategic priority areas, in overseeing the effective delivery of government programmes, and in taking the lead role in the coordination of national security and counter-terrorism policy. Further capital funding will be used to enhance information technology, communications infrastructure and building security.

Nourishing team spirit and supporting the community

The department values the importance of team building. By way of fostering camaraderie and giving back to the community, the department supported the Social Policy Division's initiative to volunteer to help Pegasus, a Canberra riding school for people with disabilities. Staff used the time to undertake necessary repairs to Pegasus property and infrastructure. In between shovelling horse manure, stacking hay and fixing fences it was possible to cultivate closer working relations between staff at all levels!

The department also introduced a workplace giving programme during the year, providing staff with a simple and convenient way to donate to one or more of their preferred charities or non-profit groups by way of regular payroll deductions.

The department also participated in the 'world's greatest shave for a cure' in March 2003, raising a substantial amount of money for the Leukemia Foundation. My deputy, Andrew Metcalfe, appeared to impose greater authority once I had shorn him. Photographs of some of the staff who participated in those activities are featured in the following section, 'The year in pictures'.

Outlook for 2003–04

The coming year will be full of challenges. I have no doubt the department will meet them with its usual professionalism.

We will continue to promote strategic, defence and security policies that protect Australia from terrorism and promote regional and international stability. We will provide support for the Prime Minister in his ongoing efforts to further a whole-of-government agenda on a wide range of national and domestic policy issues.

It is my sincere wish that, in improving the way we serve the Prime Minister, we will at the same time be supporting, recognising and rewarding the greatest strength of the department – our people.