

Some of the Things That Make Me Cranky

Keynote Address by Michael Egan to the 2013 Conference of Public Accounts Committees and Auditors-General. (11 April, 2013)

Jonathon O'Dea, Public Accounts Committee Members and Officers, and Auditors-General.

First, can I say how pleased I am that we are joined today by a number of distinguished Auditors-General, including one of two of my all-time favourites, and I mean that genuinely, Peter Achterstraat.

Notwithstanding Peter's place in my affections, both as Auditor-General and as a former highly accomplished chief of the New South Wales Office of State Revenue, I don't want him to think that he is exempt from the advice I want to give today to all Auditors-General.

Second, let me thank Jonathon for his invitation to be here with you this morning, and to return to my favourite old stamping ground.

I first ran for election to this Parliament in February 1971, before some of you, perhaps most of you were born.

I was very lucky to get here. It took me a number of elections and would never have happened without the emergence of the enormously popular and successful Neville Wran.

So as luck would have it, in 1978 the good citizens of Cronulla elected me as the first-ever, and, as it's turned out, the only ever Labor member for Cronulla.

And in 1981, acknowledging what a great job I'd done in my first term, the good citizens of Cronulla elected me again.

But in 1984, the bastards threw me out.

Not by much mind you, just 369 votes.

For the next two years I went searching for those 369 voters with malice aforethought, but could never find them.

And just as well too.

Because years later I realised what a great favour they had done me.

If I'd been re-elected in 1984, I may have had a few years in a junior portfolio, only to be turfed out in 1988 when the swing against the Government was even greater and, like all the other Labor members defeated at that election, destined never to return to Parliament.

But as it turned out, my defeat in 1984 meant that I was in the right place at the right time to take the seat of Barrie Unsworth in 1986, when he became Premier and moved from the Legislative Council to the Lower House. So without that 1984 defeat, I would never have become Treasurer of the great state of New South Wales.

So today, standing only a few meters outside the Chamber from whose membership I was unhappily removed in 1984, I would like to thank those 369 far-sighted individuals who made it possible for the people of New South Wales to bask for ten glorious years, if not in the Garden of Eden, at least in the Garden of Egan.

Now, of course, my luck in being kicked out in 1984 is not something that is unusual in politics.

Fortune plays a huge role in every political career.

The late Margaret Thatcher would never have become Leader of the British Conservative Party if the Heath Government had been more successful and had been returned in 1974.

Nor would she ever have become Prime Minister if the British trade unions had not crippled the Callaghan Government in the late seventies.

Likewise, Lyndon Johnson may never have become President of the United States but for an assassin's bullet.

And closer to home we have the example of Colin Barnett, having already announced his retirement from Parliament, being dragged back into the ring when his successor hit the canvas, and now a successful two term Premier.

And what about John Howard! How lucky was he to lose the state electorate of Drummoyne in 1968. If he had won, he certainly would have been thrown out in 1978, would never have served as Treasurer in the Fraser Government and would now probably be a very well-respected but retired managing partner of the prestigious Sydney Law firm, Howard Howard and Bloggs.

And then, there's Bob Carr! ---the guy who was dragooned into the leadership on the New South Wales Labor Opposition in 1988, gnashing his teeth, and destined never to achieve his one and only political ambition to enter the Federal Parliament as the member for Kingsford-Smith and become, not the Premier of some province in the antipodes, but rather Australia's Foreign Minister.

So the first point I want to emphasise to all of you who are members of Parliament is your good fortune.

There are plenty of people all over the world who would have made great legislators, great cabinet ministers and leaders of governments, people who tried just as hard as we did, and no doubt would have been better than us, but for whom the conjunction of circumstances was not as fortuitous as ours.

Now, my good fortune didn't just start with my election in 1978 or my defeat in 1984.

My good luck goes back centuries.

And, in large part it was due to a great man and a great Cabinet Minister whose name was Tommy Thownsend.

Tommy was the Home Secretary in the Government of mad George the Third which decided to establish a penal colony at Botany Bay.

He was also a member of the House of Lords.

In fact, he was Lord Sydney, after whom this great city is named.

If it hadn't been for Tommy this city and this country may not exist.

And nor would I. I wouldn't be here today. I wouldn't be anywhere.

You see, it was dear old Tommy, who as Home Secretary, reprieved my great, great, great, great, great, great grandparents, Henry Cable and Susannah Holmes from the gallows.

Indeed, in granddad's case only minutes before he was due to be hanged.

So I say three cheers for Tommy Thownsend.

Now the corollary of good luck in politics is bad luck.

And in politics, it's much more common than good luck.

One very unlucky member of this Parliament in recent years was Andrew Tink, a former chairman of the New South Wales Public Accounts Committee.

Andrew was the Liberal member for the seat of Eastwood and should have been appointed to a ministerial vacancy in the early nineties, but, in a dreadful lapse of judgement by the then Premier was overlooked in favour of another aspirant whose career soon ended in political grief.

And before Andrew's next opportunity arose the Coalition had lost office and Andrew had to make do with becoming a Shadow Minister ---- Shadow Attorney-General and Shadow Leader of the House, positions he filled with distinction and flair.

He would most certainly be the New South Wales Attorney-General today, and may even have been the Liberal Party leader who took the Coalition to its inevitable victory in 2011, but for an illness which forced him to retire in 2006, an illness from which, I'm very pleased to say, he has now recovered.

So, in my view Andrew had three bouts of bad luck --- the misjudgement of a Premier in the early nineties, the subsequent political ascendancy of Bob Carr and the onset of serious illness.

Andrew, however, has put his forced retirement to great use.

He's written two great histories, one on William Charles Wentworth and one on my mate, Lord Sydney.

Now, as Andrew tells it in his book on Lord Sydney, it seems that my good luck and debt of gratitude to Lord Sydney goes well beyond his reprieve of my forbears, Cable and Holmes, from the gallows.

You see, Cable and Holmes, met while they were both prisoners in Norwich Gaol. There were no separate facilities for male and female prisoners, something else that, as it turned out, was ultimately good luck for me.

They were both illiterate and had little to do except, it seems, copulate. And, would you believe it, they conceived a child out of wedlock.

As you can imagine, getting the First Fleet ready for departure was a huge logistical exercise, and convicts were brought from all over Britain, to board their ships.

At this point, I'll hand the story over to Andrew Tink.

Tink writes:

"Among them were three females, who were taken by their jailer, John Simpson, clear across England from Norwich prison to Plymouth.

Upon arrival, they were rowed out to their ship, and one by one their names were ticked off. When the captain got to Susannah Holmes, he ordered her aboard, but demanded that she leave her infant behind. "That baby's not on my warrant list", he barked.

Distraught, Susannah threatened suicide, but the captain would not be moved. However, her jailer, Simpson, was... so he took off for London, with the babe in his arms, determined to convince Lord Sydney's Home Office bureaucrats, to allow this infant to re-join its mother.

In those days, the public service was very small. Whereas today there are tens of thousands of people employed by the Home Office, then there were just eighteen, including a night porter and a necessary woman, who, as far as I can tell, was a cross between a tea lady and a cleaner.

They were located in just four rooms, on the first floor of the Montagu Lodgings in Whitehall, reached by a flight of stairs. Expecting to remonstrate with a Home Office clerk, Simpson started up the stairs with the baby. But as luck would have it, no less than Lord Sydney himself, was coming down the stairs at that very same time.

Buttonholed by Simpson and the screaming infant, Sydney was at first hostile. But on being told of Susannah Holmes' distress, the Home Secretary ordered that mother and child be reunited for the voyage to Botany Bay. And then he enquired whether the baby's father wanted to go too. Unsure, Simpson said he'd ask, whereupon Sydney signed the necessary papers, should the father, Henry Cable, say yes.

In fact, Cable was a prisoner at Norwich. So Simpson, still cradling the baby, had to travel all the way back there for an answer. And when Cable agreed to go, the three of them made for Plymouth. As Simpson later said, he'd covered a total of 700 miles with the baby, to get this little family back together."

It so happens that I'm descended, not from the infant child who came out on the First Fleet, as the youngest member of the First Fleet, but from the second child of Cable and Holmes who was conceived here in Sydney town and, I might add, after Henry and Susannah were joined in Holy Matrimony in the first wedding ceremony in the colony, fifteen days after the First Fleet arrived.

Now I've spent some time telling that story not just to illustrate my good fortune in being with you today but also to illustrate your good fortune in becoming members of Parliament and high public officials.

You are lucky, not because you have been elected or appointed to some cushy job, because you and I know they are not cushy jobs.

In fact they are difficult and demanding and more often than not completely thankless or worse.

You are lucky because, like Simpson and Lord Sydney, you have the opportunity to serve your fellow citizens in a way which few others do.

And it is not just in the big things you do --- like serving on a Public Accounts Committee, or being involved in important policy development, or being a

champion of great causes or otherwise saving the world with your genius and advocacy.

No, you also serve in the little things you do as parliamentarians and public officials.

And sometimes it is actually the little things that can have the longest and most important ramifications.

There is little merit in being wise and caring and compassionate in the abstract if they are not characteristics that you also display in your individual dealings with all your constituents whatever place they occupy in society.

How many ministers of the Crown would act like Lord Sydney today?

How many public servants would put themselves out in the way that the jailer John Simpson did?

And I wonder what the tabloids and the shock-jocks would say about both Sydney and Simpson in their generous and kind-hearted treatment of a couple of convicted felons.

One of the greatest privileges of being a being a member of Parliament is being able to go to bat for a constituent with a deserving cause.

And that's why members of Parliament should make sure that this aspect of their work is not something that is left entirely to their staff but should also involve them.

One of the things that used to make me cranky, in fact it used to make my blood boil, was to find ministers, or ministerial staff members, or senior public servants, who thought they were too high and mighty, or that their other work was too urgent or important for them to give attention to the troubles and concerns of individual citizens.

And another thing that used to make my blood boil was to be told that someone, who was clearly suffering an injustice or being badly treated, couldn't be helped because to do so was outside the policy or guidelines.

I understand fully that public officials can't make arbitrary decisions and that processes, policies and rules have to be in place and administered fairly.

But every now and then a case arises where common sense and human decency should tell you that the strict application of the rules will result in a clear injustice.

And in those circumstances, it's incumbent on everyone --- members of Parliament, ministers, their staff and public servants --- to take up the cudgels and see what can be done, either by making a one-off exception to the policy or, if the policy is found wanting, changing the policy.

One of the fundamental rights of every citizen is the right to petition the King and to have their petition fairly and properly considered.

The next whinge I want to have is about the all too common belief that governing is easy, and that most ministers and members of Parliament are all either fools or knaves and that governments and public servants are almost always making a mess of things.

It is a belief that seems to have been growing in recent decades despite the fact that by any measure Australia is one of the most successful societies on earth.

It is almost as though the more successful we become the more people lose faith in their elected representatives.

And I think that's very dangerous to the future of the country and the future of democracy in this country.

So it is very important, I believe, that opinion leaders, whether in the media, or in Parliament, or elsewhere, including independent watchdogs always keep things in some sort of reasonable perspective and don't inadvertently and unfairly destroy public confidence which is always somewhat fragile.

The truth is that governing, especially in a democracy, has always been hard and I think it's becoming harder and harder.

It is certainly a lot harder than running a private business, even a huge private business, because business generally has one overriding, clear, unambiguous objective, the maximisation of shareholder value.

Governments, on the other hand, have a vast number of objectives, most of them conflicting and contradictory.

Some very simple illustrations: lower taxes versus better services and infrastructure, environmental protection versus economic development and job creation, civil liberties versus safer communities, spending in one part of the state or nation versus spending in another part, and the list could go on and on.

And in government you have your hands tied in a way that you generally don't in a private company.

A Prime Minister or a Premier is not the boss in the same way that a CEO of a private company is the boss, or even a head of a government department.

In a private company, the CEO can get sacked by the Board, but never by the people below him or her in the organisation.

Imagine, dear Auditors-General, if you were to arrive in your office in the morning and be told that your staff had decided you were to be replaced.

There were many things I wanted to do as Treasurer but I always had to convince not just my cabinet colleagues, my caucus colleagues, the cross-bench members who had the balance of power in the Upper House, and of course, ultimately the electorate. And you soon find there is not one person in the whole state, not one, who you can rely on to support you on every occasion.

Everyone agrees, wholeheartedly, that Parliaments and Governments should govern for the common good and the good of the nation.

The trouble is no two people will ever agree on what that is.

And everyone, of course, is inclined to demand the impossible. It's human nature.

There was a fabulous cartoon a few years back which featured a politician declaring: "I won't be satisfied until every child has a better education than every other child". I was surprised at how few people got the joke.

Almost everyone thinks they are paying too much tax. Almost everyone thinks they are a battler. Almost everyone thinks that not enough is being spent on whatever it is that is important to them.

And if there is something that they think needs to be done, then clearly we are in the midst of a crisis or are living in a third world country simply because it has not yet been done.

And these people are the same people who decide whether you keep your job, or get thrown out of your job.

Now this, dear friends, is called democracy. It works better than any of the alternatives, but it is still messy and it can still get things wrong.

It is always the art of the possible and it requires compromise in both policy and administration.

But despite the difficulties involved in governing, most of us who are politicians will happily claw one another's eyes out to have the privilege of doing it.

I bet none of you would ever give it up willingly, unless, as it was with me, at a time of your own choosing, after a long career and when you had discovered that the adrenalin had simply run out.

Can anyone here, at the beginning or middle of their career, conceive of ever feeling that they, and I quote "cannot wait" to leave office.

What kind of Prime Minister would tell his Parliament: "This government cannot wait to be relieved of its task."

But that's exactly what Mario Monti, the Italian Prime Minister, told his Parliament last week.

Now from afar, I thought Monti had done a pretty good job.

I thought he was a bit too close to Angela Merkel's policy of economic strangulation that, in my opinion, could only come from someone brought up in the misery of the Communist East Germany, although he probably didn't have much choice.

But there can be no denying that he has brought Italy back from the brink and commenced a number of economic reforms which Italy will need if it's to prosper in the long-run.

But he got no thanks.

In fact, in the recent elections he came a poor fourth.

And really, no one should have been surprised.

Unless you have been immersed in democratic politics, and experienced all its frustrations, setbacks and humiliations, you will never make it or survive in it.

People who come to politics from successful careers elsewhere seldom do.

And I don't think you can understand democratic government and politics unless you have observed it closely and professionally for a long time, or have studied it carefully.

In fact, I suspect people who aren't ardent readers of political history and biography will always struggle to be really effective lawmakers and ministers. It's always best to learn from the mistakes and disasters of others rather than your own.

And I have no doubt that senior public servants and senior statutory officials, like Auditors-General, would also all do well to have a good understanding of the theory and practice of Westminster politics, whatever the area of their core expertise might be.

I was flabbergasted some years ago to find myself debating the then New South Wales Auditor-General on the 7.30 Report and to be told by him that as Bob Carr and I had both announced our support for electricity privatisation we had a fiduciary duty to privatise.

No ifs, no buts, no less than a fiduciary duty.

When I regained my composure, I pointed out to him that in a democracy you govern only with the consent of the governed, and that if we were to sell the New South Wales electricity industry, which I certainly believed was in the best interests of the State and its citizens, I first had to convince my cabinet colleagues, my caucus colleagues, the Parliament and the electorate.

Democracy, at least in my opinion and I suspect in yours, is a precious thing. We take its existence for granted. And we assume that it will last forever.

But I'm not sure. It is not divinely ordained. It survives only because people generally have confidence in it. And it's a confidence that can easily be undermined if all comment is negative and one-sided.

Robust and vehement debate is an essential part of a working democracy.

We don't expect our elected officials to altercate in undertones.

It is an essential job of all Her Majesty's loyal Oppositions to get stuck into the governments of the day with everything at their disposal.

And governments are entitled to whack back.

There is, however, another aspect of a successful democracy and a well-run society.

And that is the existence of independent, impartial institutions that don't get involved in the political fray, that are always careful to stay above the fray.

An independent judiciary is obviously one.

And so too are offices like those of an Ombudsman and an Auditor-General.

We've had some recent instances where the Commonwealth Ombudsman's office has, at least in my opinion, behaved as though it was a branch of a political party.

Everyone in Australia is entitled to have confidence in the impartiality and independence of the Ombudsman's office.

And they can't if there is ever any suspicion that officials are acting in a political or partisan way.

As far as I'm aware there has never been a comparable breach by any of our Auditors-General or their offices.

However, I am very concerned with the modern trend where Auditors-General are offering themselves up as media celebrities.

If it continues, I predict tears before bedtime.

I was educated by the Christian Brothers.

And they often advised that if you really wanted to avoid sin, you had to also avoid the occasion of sin.

And it's advice I want to give to all the Auditors-General present today.

Whatever you do, stay above the fray.

Any you can't do that if you embrace the tools of politicians by giving media conferences and interviews with well-practiced grabs.

You never hear a judge give an interview about a decision they have handed down. They allow the judgement to speak for itself, as it should.

And you can never be as fair, as balanced or as comprehensive in an interview as you can be in a report.

And as much as you might try to be objective and balanced you can be assured that the sound-bite the media will use will be the one that enables them to give a sensational or hysterical angle to the story.

Now of course the media will encourage you to front the microphones and cameras, but don't be naïve about their motives.

Whether you like it or not, whether it was your intention or not, when you front up to a media conference you have joined the fray.

And inevitably your judgement and independence will be affected as will the perception of your independence.

You will lose authority. What you say and what you report will be ignored as the normal tit for tat of political argument.

And please note. I'm not saying this for some partisan or self-interested motive.

I never said it when I was in office or while we had a State Labor Government, because I thought in those circumstances my motives would be misconstrued.

The final thing I want to do today is stick up for the New South Wales Treasury, and indeed all Australian treasuries.

I have observed all of them for a long time and I think they are worth their weight in gold.

I get angry when I see them denigrated or downgraded.

Recently the new Labor Premier of South Australia made himself Treasurer as well. A bad mistake.

And it was an even worse mistake if his intention was, as some suggested, to put the Treasury in its place.

The New South Wales Premier was reported recently in the Daily Telegraph as wanting to neuter the Treasury.

He's quoted as saying: "I have long been of the view that part of the problem in this state was that treasury was on top, not on tap".

Let me assure all of you who aspire to be a Treasurer or a Premier or Prime Minister that you are your own worst enemy if you think that Treasury is your enemy because they haven't yet discovered the money tree or the magic wand, or that they are incompetent or malevolent because their revenue or expenditure forecasts don't always turn out to be exactly spot on.

A good Treasury will always do what you legally and properly instruct them to do, but you are very unwise if you don't first seek their frank advice.

And a good Treasury will never just tell you what you want to hear.

Their job is to make sure you are always aware of the bad news and of the pitfalls of the things you are planning to do.

I saw just before Christmas that the New South Wales Treasurer issued a media release announcing the appointment of a forecasting expert who was being recruited from the Commonwealth Treasury.

It appeared to be in response to some remarks the Auditor-General had made about accounting errors and budget forecasts.

The Treasurer said: "It is clear the main reason for the Budget variance was not the errors but the forecasting --- and that is being addressed".

Now, my reaction on reading that was, "Oh, dear!"

Because as sure as night follows day, that will come back to bite him.
Rodomontade always does.

Now I don't want to be too tough on him, because it's the sort of mistake any new Treasurer, not yet two years in the job, is likely to make, and I'm sure I made my fair share of mistakes in the early days.

But my sincere advice to Treasurers, Premiers, Oppositions, Auditors-General and the media is don't get your knickers in a knot when forecasts are off mark, because they always will be.

Forecasts are just that. They are not statements of fact or guarantees.

So why make them? It's because you can't frame a budget without them.

During the preparation of all of my budgets, I was constantly infuriated that the forecast budget bottom line would bob around all over the place, each week, and almost each day.

And that's because the New South Wales Government is not a tuckshop, but a vast undertaking with literally millions of activities, some simple, some extremely complex, happening all over the state each and every day.

And each and every day, more and better particulars are coming up the lift and landing on Treasury's doorstep.

In fact, the Budget and the mid-year budget review are no more than snapshots taken on a particular day. Take them a day before or a day after and you'll always get quite different results.

Because the world is constantly changing in ways you can never predict.

Who on earth would ever have expected the election of a Jesuit Pope?

I would have thought there was more chance of a non-Catholic Pope being elected, although I know there are some wicked people suggesting that Jesuits aren't really Catholics.

I wouldn't like to comment.

But closer to home, who predicted that the price of coal would go through the roof a couple of years ago, and coal royalties with them, and then collapse in the second half of last year.

Who can predict what will happen to consumer confidence or business confidence?

Who can predict what will happen in the markets and how it will affect the worth of a government's superannuation assets and liabilities?

And on the expenditure side, who can predict whether our hospitals will have to cope with a bad flu season or a good flu season.

In the week before the Olympics, I got an urgent call from the Olympics Minister.

"I need another twenty million", he said.

"You can't have it", I barked.

"But we'll run out of food for the athletes if I don't get it", came the reply.

"Bullshit!" I responded ever so politely.

"Well come out and see for yourself", the Minister insisted.

And so I did. And what I saw absolutely astonished me.

Here were little tiny female gymnasts, all of four foot ten and five stone seven, piling their trays full to overflowing, demolishing every morsel in record time and then going back for seconds and thirds.

The Olympics Minister got his extra twenty million.

Now my experience of the New South Wales Treasury is that in the forecasting business they are, not just as good as, they are better than anyone else.

Their forecasts are not idle guesses. They are always based on well-founded assumptions and encyclopaedic knowledge of past experience.

But as everyone should know, even though past experience is as good a guide as you can get, it is still not, and never can be, a guarantee of future performance.

So please, I implore you all, resist the easy temptation to treat Treasury as a whipping boy.

Now there are many more things that make me cranky, and they include federation and Upper Houses.

But I'm afraid you'll have to invite me back to talk about them another time.

Thanks for your patience, enjoy the Conference and good luck with your important work.