



THE SYDNEY PAPERS

AUTUMN 2000

Volume 12

Number 2

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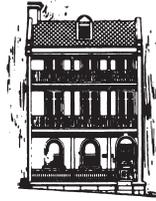
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Registered by Australia Post - Print Post No. PP 225920/00012



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The Sydney Papers is a quarterly journal published by
The Sydney Institute, A.C.N. 003 732 929.

41 Phillip Street, Sydney, Australia. Annual Subscription to
The Sydney Papers is \$33.00 (inc. GST) or available inclusive
with Associate or Full Subscriber membership of The Sydney
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Layout & Typesetting by: CMC, Unit1 "The Berkeley", 25 Market Street
(corner Kent Street), Sydney, NSW 2000 Australia. Phone: (02) 9261 0700
Fax: (02) 9264 9547.

Printed by: Standard Publishing House Pty Ltd, 69 Nelson Street, Rozelle,
NSW 2039. Phone: (02) 9818 3000 Fax: (02) 98183643

Cover & inside front cover design by: DT Graphics, suite 1/214 Lyons Road,
Five Dock NSW 2046. Phone: (02) 9713 5554 Fax: (02) 9713 5553.

THE SYDNEY PAPERS

Vol. 12 No. 2.

Autumn 2000

Published by The Sydney Institute Publications Pty. Limited

The Sydney Papers

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THE UK – THE

THIRD WAY

John Battle

It is a great pleasure to be in the world class city Sydney, on this my first visit to Australia. I've just arrived from Melbourne and Perth where I met up with State leaders and Australian and British business representatives, and the focus of my visit here tomorrow will be with Foreign Minister Alexander Downer and NSW Premier Bob Carr.

The next twelve months promises to be an exciting time for Australia, and for Sydney, in particular on the world stage, as host to the Olympic Games, and for all Australians as you celebrate the Centenary of Federation. I'm sure you are looking forward to your special celebrations throughout the year. We, for our part, in Britain look forward to recording this historic occasion with a special Australia Week in July – in particular on 6 July a parliamentary occasion to mark the centenary of the passage of the Commonwealth of Australia Constitution Act through the House of Lords – our occasion to honour Australia on her 100th birthday. I'll be talking more about this to Minister Downer tomorrow as well as outlining our plans for a Centenary Gift to Australia.

With our shared cultural and constitutional heritage, language and law, it is not surprising that the linkage and the current network of personal ties linking individuals and families – as well as our parliamentary and political links – is extraordinarily strong. Our relationship is especially personal. I know over one million Australians were born in the UK, and perhaps it's not widely known that our government's Chief Scientist, is Australian, as is my colleague Patricia Hewitt, our DTI Minister for e-Commerce and Small Business. Our relationship is not just historic, nor should we take it for granted, as in all relationships we need to work at it, refresh and renew it regularly. Ours is a modern and mature partnership of mutual respect – which continues to develop. Yes – a shared history – but forward looking, addressing the future together.

As both our nations move confidently into the 21st Century links need to be sustained, and new links forged.



Photo – David Karonidis

John Battle

During a visit to Australia in February, the Hon John Battle, British Minister of State for Foreign & Commonwealth Affairs, addressed The Sydney Institute on Thursday 24 February 2000. John Battle took up discussion of Britain's ongoing reform and policy direction so often referred to as the "Third Way". In a wide ranging airing of many issues, John Battle reflected on the ties that bind Britain and Australia, the agenda the two countries share and the challenges of blending wealth generation with social justice.

We are both trading nations – now in a rapidly developing global economy – and for generations trade and investment have proved the dynamo of our practical daily relationship. Australia is the UK's third largest market for goods in Asia Pacific and the second largest for services. And it's a two way mutual relationship. The UK is Australia's third largest trade partner. In 1999 UK exports to Australia totalled over \$A5 billion and Australia's exports to the UK totalled nearly A\$3.5 billion. The UK is the largest foreign investor in Australia – 62 British companies now use Australia as their headquarters. In return, Australian companies invest in the UK, for example providing some of our hi-tech ferries, building shopping centres, even rebuilding Wembley, and owning Yorkshire Bank. Australian investment is welcome.

Moreover we have an ongoing exchange of talent in education and in the creative and media industries – not forgetting our sporting ties – if regrettably at present somewhat uneven in results. We're working on it.

Politically we have warm ties, and our relationship goes from strength to strength – the flow of ministerial and parliamentary visits in both directions underscores the range of policy areas in which we share concerns and can learn from each other, for example in welfare, education and financial reform. Internationally we cooperate closely, finding ourselves usually pursuing shared interests and common goals in all international fora – regional and global. Our close cooperation in East Timor, where the British Gurkhas landed with Australian troops, is a recent example. And can I pay tribute to the superlative leadership of the Australian forces under General Peter Cosgrove whose exemplary staff demonstrated to the whole world how 21st Century peace keeping can be carried out. As General Cosgrove put it yesterday, "end for once with a smile". The international community was inspired by the peacekeeping actions of Australia's forces.

But to look to the future – what common agenda do our countries now share? What about the political and economic challenges of how to blend wealth generation with social justice? How do we modernise welfare systems, public services and labour markets? And how do we deepen democracy itself? These are our current, shared challenges – and they are challenges that arise in the context of profound forces of globalisation and economic restructuring, an age of the reconfiguration of time and space boundaries that, I suspect from what I have learned in the last few days, Australia understands and is shaping faster than the rest of the world in its use of the potential of new technologies – the computing, telecommunications and the new convergences that are deeply transforming the social, economic, political and cultural fabric of our lives.

We are all together engaged in a search for a new politics for the new century – not a universal model nor a unique British model, or a rigid template for others to follow. But in our rapidly changing world driven by technological change, which is radically changing the nature of politics, we know we need something new. As Paul Valery put it what we do know is “the future is not what it used to be”.

And perhaps the real challenge is to reconcile some of those traditional contradictions, opposites always staked against each other – “freedom *and* fairness”, “rights *and* responsibilities” “compassion *and* self-reliance”, “economic opportunity *and* social justice”, “global economy *and* local community”. Not simply holding together heterogeneous ideas but struggling to reconcile them through practical measures, new ways of thinking and acting that move beyond these contradictions by refusing to accept them as contradictions. Promoting policies that deliver and improve both economic prosperity and income distribution, facilitating markets where possible with regulation where necessary, instead of offering the electorate a simplistic choice between lower taxes and better public services, finding a way to deliver both. Instead of forcing the choice between cutting welfare benefits and supporting more unproductive welfare recipients, developing policies to get more people into work by seeking out, realising their real potential and providing better support to those in real need.

This is the core of the Third Way agenda that can be summed up in four themes:

- 1) To develop a dynamic knowledge-based economy founded on individual empowerment, opportunity/releasing the creative potential of each person, in which governments enable not command, and in which the power of the market is harnessed to serve the public interest, in which there is a concept of the social investment state, and new ideas of public private finance partnerships to deliver social good.
- 2) The development of a strong civil society, enshrining rights and responsibilities, but also fostering a third sector – (voluntary) revival, where government enables the development of strong communities.
- 3) A modernising of government itself – based on partnership, decentralisation and subsidiary, in which democracy is deepened, government made more transparent and subsidiary becomes the watchword.
- 4) Last, but not least, a foreign policy that is outward looking, mutually respectful and based on international cooperation.

We need to learn when and where to compete and when and where to cooperate – a lesson a sporting nation like Australia fully understands.

In practical policy terms the Third Way for our government has meant reducing personal taxation and increasing investment in health and education. It has meant new private public finance initiatives, to rebuild, re-equip and re-establish new hospitals, new schools, new government laboratories – getting private money to work for the public good – fostering local micro-credit schemes; introducing a New Deal to get young unemployed back to work; introducing a Freedom of Information Act; devolving power to Scotland, Wales, Northern Ireland and the regions of Britain; reforming the House of Lords; and fostering local non-government initiatives, tax credits for supporting third sector charities and non profit making bodies that promote community based initiatives and civil responsibility.

The Third Way in Tony Blair's words "is a modernised social democracy for a changing world which will build its prosperity on human and social capital. It is a project built on unshakeable values and a firm commitment to modernisation – to shape the future by embracing change not seeking to defy it".

Believing we can participate in shaping our future means rejecting pessimistic scenarios of overpopulation, disease, poverty, undevelopment, rogue states with nuclear weapons, dictatorships, terrorism, fundamentalism, tribalism, the coming anarchy and clash of civilisations that some fatalistically present us with. The great cultural critic Raymond Williams warned in his book *Toward 2000* written some 20 years ago "the settled pessimism of so much of the culture of the late 20th Century is in effect an absolute loss of the future, of any significant belief that it can be different and better. The projection of dates is now more often an anxious calculation of the possibilities of mere survival". Things can be and will be different and better if we actually release the human potential to cooperate to make a different and better future with vision to connect the local and the global.

I close with a quotation from the philosopher Ernst Bloch who in his great work *The Principles of Hope* called to a time shaped by fear: "Everything comes down to this", he writes "that we have to learn to hope in order to see the development of the wealth of human nature ... people still live everywhere in pre history...before the creation of the world as a true world ... the roots of history lie in work and creativity of the person transforming and surpassing that which is given. If we take hold of ourselves and establish that which lies in real democracy, then there arises in the world something which everyone saw in childhood – but no one ever really inhabited – home".

I think as political beings all of us need to return home, locally and internationally. Britain and Australia can be at home together in the 21st Century. What's more we can continue to enjoy each other's company.



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Photographer: David Karonidis



Marise Payne



Tim Fischer

Photo – David Karonidis

Tim Fischer MP, and former Deputy Prime Minister, arrived in East Timor four days before the ballot for independence and left three days later. Senator Marise Payne made fact finding tours of East Timor with parliamentary visitors. They saw at first hand what happened in Dili and among the people – before the militias began their devastating killings. Tim Fischer's book on the experience, *Seven Days in East Timor – Ballots and Bullets* (Allen & Unwin) now lives on as a record of that time. Senator Marise Payne and Tim Fischer MP addressed The Sydney Institute on Tuesday 29 February 2000.

TIMOR – EAST AND

WEST

Marise Payne

Last week I returned from my third visit to East Timor in six months. What began as a political, foreign affairs and human rights interest has turned into a passion for me: for a people and for their future.

I wish to begin and end my remarks at the same place today in the recent story of East Timor – that is, the popular consultation. I was part of the Australian parliamentary and other official observers delegation to the popular consultation in East Timor: UN observer number 1348, to be precise. I regarded that as an enormous honour and in fact a great privilege to at least observe the first faltering steps towards full democracy, of the independence of this nascent nation.

Tonight I want to give you some idea of the challenges for East Timor as I've seen them over my visits, and also some idea of the roles played by so many Australians right through this process and not just since the consultation. There are many aspects that could be related, although some people say that “what goes on tour stays on tour”, and I respect that as far as aspects of the delegation are concerned. But there are some that I can certainly tell you about.

For example, Team B (we had to be Team B because we didn't have Tim Fischer with us) left Dili at 3 o'clock in the morning on the 30 August, the day of the popular consultation, to venture west to Maliana. Even getting agreement to do that had been a challenge, but my developing view about the determination and commitment of the East Timorese people to exercise their vote was confirmed by the sight of hundreds of them walking by the roadside in the very dark, very small hours of the morning toward their registered polling place. Walking with their infants, breastfeeding as they went, their toddlers, their younger children, their teenagers, in their Sunday best, whole families on the move, committed to exercising that vote. And as daylight came upon us, we drove past larger groups, and saw polling places all set up and ready to go.

But nothing, nothing in all of that, nothing in the preceding days, prepared me for the sight that greeted us as we rolled down the road

into Maliana at 6:25am. It was previously a hotbed of militia activity, and it certainly became one again after the consultation. At 6:25am (I kept reminding myself), we came towards the public hall in Maliana, which was the official polling place, and there was quite simply a sea of people before us – standing with their registration cards and their IDs in their hands, just waiting to vote. Not hundreds, not even one thousand, but thousands of men and women quietly waiting for the station to open. And we were there to witness the historic sealing of the ballot boxes and the commencement of the vote.

Security at that polling station was under the control of an Australian member of the CIVPOL (the civilian police) – an AFP agent from Melbourne. There were so many people there that Polri – the Indonesian police – were assisting with crowd control. In the preceding 25 years, the Polri assisting with crowd control might have made the East Timorese quite nervous, but on this day it was an entirely different process. In a fit of “official observer” conscientiousness, I told the CIVPOL that in contravention of official UN guidelines, which of course I was brandishing in my left hand, the Polri were armed; they had their AK47s with them, and something should be done! In typical Australian style, the federal agent turned to me and suggested that perhaps I might like to tell them to turn over their weapons. You’ll be relieved to know that all went off okay.

But the most compelling vision in Maliana that day was one voter: an old man profoundly crippled, whose body was permanently in the seated position because his legs were so bent and twisted. He had sticks under his arms, and he came into the hall very early in the process – and it was an enormous hall; you could play basketball there, all sorts of activities – and he took himself from the front to the polling box at the furthest corner, because that was where he registered and where he had to go, and he cast his vote. And the ever-efficient UNAMET officials indicated to him, through sign language, that the exit was to the rear of the hall; the exit that the electoral officials, had efficiently arranged. He declined, graciously, to leave by the back door, because he’d just exercised – for him – the most important vote of his life, and he was damned if he was going to be sent out the back door. He went all the way back down the length of the hall and walked out in front of those thousands of people just to indicate that, as an old man, he had finally done it. And it was a profoundly moving experience.

The nature of the people in East Timor at that stage I would describe as charming and gentle, as ever, but restrained. And hesitant. In some cases, preoccupied and nervous. Now I want to contrast briefly their passion for that exercise of the democratic process to what I saw two weeks after I came back. It’s very fortunate that as a Senator for New South Wales, I had the opportunity to stand on four polling booths at the New South Wales local government elections in one day:

Woollahra, Ingleburn, Kogarah and Sutherland. And you know what we're like – we whinge and we carp and we say “I've got to go to the polling again; you know, local government, state government, federal government – when is it ever going to end?”. And all I could think of, as stragglers came in at 6 o'clock in Kogarah was: if only you could have seen what I saw two weeks ago. People who had never had this opportunity, and would never take it for granted, exercising their vote – a significant contrast.

We were a very small delegation, relatively speaking – only four Members of Parliament (but probably enough for anyone) and three NGO representatives – but we covered a huge amount of ground. Not only Dili, but Liquica, Bacau, Gleno, Viqueque, Manatuto, Alieu. And we saw Australians everywhere – in the CIVPOL and in the UNAMET. And it's a visit that would not have been possible, I might say – and I'm pleased that in fact he's here this evening – without the efforts of the Australian Mission in East Timor, and the head of that Mission, James Batley. Because it wasn't easy, and nobody necessarily wants eight uninvited visitors to drop in on them in a situation like that, and we were very grateful for that support and the enormous efforts of both that Mission and our embassy in Jakarta.

In Ailili, near Bacau, I came across an Australian UNAMET electoral officer who was doing his training with his East Timorese polling workers. They were role playing; working out what to do if you had a blind voter and so on; they were very proud, very aware of the importance of the upcoming ballot. And they were displaying their UN ID proudly on their chest, as proudly as I was or anyone else was. They were just worried about one thing: whether that would make them more of a target for post-poll attacks. And the simple answer, of course, was yes.

I went back to East Timor in December with our parliament's Joint Standing Committee on Foreign Affairs, Defence and Trade. With the onset of the wet, it was a very different environment in many ways, but the greatest of those differences was the destruction that had been wrought upon the landscape. Driving through Dili: scarred buildings, endless rows of houses destroyed beyond imagination, extraordinary amounts of mess and rubble. An enormous clean-up task, an enormous reorganisation task, and it's a matter of record the great contribution that the INTERFET and Major General Peter Cosgrove and his team made over many months in difficult and dangerous circumstances, and a difficult and dangerous environment.

I just want to give you my perspective of the extent of the destruction. We flew from Dili to Suai on the southern coast, in a Blackhawk. I had thought on the ground that things looked pretty bad – in fact I wondered how repairs could ever be made to the city of Dili – but seeing it from the air is not something your average suburban Senator

does all that often. It was physically jolting, like you'd had the breath knocked out of you, and unusually for me, it rendered me speechless. Block after block of total devastation: of homes, of markets, of public buildings. And it's something you can never appreciate from television footage.

Suai was similar – but not having been there before, I had less of an appreciation for what it had been. But it was completely destroyed. The Australian engineers had re-roofed the Justice Building in Australian Colourbond to give our Third Brigade somewhere from which to work. But they had no electricity and no running water and they were still, in December, just welcoming back people in trickles. The nature of those people by then, in Dili and in Suai, was as charming and as gentle as ever, but from those who had returned whom we met – remembering this is December – there was more relaxation. There was more willingness to engage and a more outgoing attitude.

Last week – on my third visit, wearing my hat as President of the Parliamentary Association of UNICEF – enabled me to identify on a more focused basis what I would call the ongoing challenges. Obviously that visit last week concerned the situation of women and children. I was briefed by Rodney Hatfield, UNICEF special representative in East Timor, and his field workers. Before the poll, 160,000 students – or thereabouts – were in primary school; there are now 120,000 students at least back in that system. Six thousand teachers on the UNICEF books; they delivered almost 600 school-in-a-box kits for districts in East Timor, which sets up 80 students at a time for three months and so they keep on doing that because there are many, many more students obviously. They are distributing additional student stationery because there is none of that. They're distributing blackboards because when you take the roofs off buildings, you often take the blackboards with you – and the stationery and the desks and chairs. And so you have empty schools, and that's where we're starting – empty schools without roofs I might say.

For UNICEF, it's the simplest things like accommodation issues for their team: they have a home, they negotiated with the Indonesian Department of Health, interestingly, just after the popular consultation, for a premise in Dili. But the Indonesian Department of Health has little or no relevance to proceedings in East Timor now, and UNTAET has told them to leave. They have seven international workers, and there is not a lot of accommodation for people like that. I told them occupation was a significant presence in the eyes of the law, and they should perhaps stay there.

We drove to Manatuto, an hour-and-a-half east of Dili. We visited the headquarters of the Philippines Battalion, and I was briefed by Colonel Felix Cabrerros on all of their work. They have doctors, they have nurses, they have dentists in their team. They have vaccinated

thousands of East Timorese children in that area for measles. And they are engaged in a school re-roofing programme of eight schools. But there are enormous challenges of getting materials. It didn't occur to me until last week – not being your average home handyman – that the angle of ridge-capping is very important if you want it to work properly in the wet. And they don't have any ridge-capping in Manatuto at the moment, so they have corrugated iron with a nice gap in the middle. Finally, it's very difficult for them to get around the area of Manatuto. It's a very hilly province, yet more challenges.

I participated in an open forum with the Philippines Battalion – of teachers, UNTAET, UNICEF. If I ever thought a constituent meeting in New South Wales was a challenge, I have reviewed my opinion. A forum of East Timorese teachers concerned with only one thing – the wellbeing of their children and the physical state of their schools – is a much more significant political challenge. And managing their expectations is the sort of challenge faced now in the rebuilding process. As a teacher, as a parent, as a child – when they ask you what the priorities are and why the ridge-capping doesn't fit, or why the food their children are getting is, they believe, inadequate – (these) are very difficult questions to answer from a simple background. The World Bank and UNICEF are negotiating endlessly, but that is not an answer to these people's problems experienced on a daily basis. If you go from school to school, as I did, and you see the scenes of devastation – much worse, for example, in the Catholic high school (San Antonio, Manatuto) – it is even more difficult to answer. And they are only looking after primary school children at this stage. Many of the high school teachers were Indonesian and that's even more of a mess. They raised with me difficulties of language – not something the President of the Parliamentary Association of UNICEF is able to settle. Tetun, Portugese, Bahasa, English ... they are real and ongoing issues for them to deal with.

UNICEF can't answer all those questions and problems, and they're hoping that the World Bank's education mission this week will assist in that process. And hopefully the financial agreement signed last week by James Wolfenshon, by Sergio De Mello and Xanana Gusmao for community grants – \$18 million of \$21.5 million in total – is the beginning of that process with World Bank funds.

There is a concern also for the role of women in the developing, new East Timor. UNICEF supports a local NGO called FOKUPERS (Forum Kumunikasi Perempuan Lorosae). It's established to provide shelter and support to women who have experienced violence, and that is many more than you and I even want to begin imagining. They have been attempting to document and analyse cases of violence. They published this book with those stories in it, last year. They are attempting to revitalise the local capacity to address violence against women.

But say tonight, in Dili, there is a domestic violence issue, the people they call are the CIVPOL, the International Civilian Police. And they told me, through an interpreter, that if you get an Australian and a New Zealander, or an American, in your CIVPOL team, then that's a good thing because they have a particular perspective on domestic violence and its unacceptability. But not everyone who is represented in CIVPOL in East Timor does. And they're real issues for the women who are making those calls.

They expressed to me eloquently their concerns about women being involved in the rebuilding process. Some would observe that CNRT, and Fretilin and Falintil before them, are not typically good in the process of involving women in their organisation. The United Nations has outstanding women, but not necessarily involved at the local level in East Timor now. The women that I met are strong, brave and articulate. They had their office and their shelter destroyed, and they told their stories in this book. They rebuilt it and they are still looking after women and children. But it's important to take into account during the building of the legal frameworks – women's rights and children's rights; and that's not always done in the context of the current United Nations rebuilding process. That again is a challenge for UNTAET and for the CNRT.

Finally, I want to leave you with one other brief story about the time of the popular consultation. On the Saturday morning before the consultation, several of us breakfasted with a British journalist who related a story about a small village called Memo. Near Maliana, in fact. Memo is Upper and Lower Memo: in the dry it's not so clear; in the wet there's a significant river running through it, as they say. He had been in Memo with an Australian journalist who had become involved in the middle of a militia attack. In the middle of that attack, they had been rescued by the Polri, the Indonesian police. But the village of Lower Memo had been completely destroyed. Completely destroyed. It occurred to me as I was listening to this story, which I listened to with appropriate gravity, how dangerous it must have been for those journalists. It never occurred to me that I was about to see exactly what he meant. That on the polling day, after we left Maliana, and our driver said to us "Memo", we drove into a village where every single hut had been burned to the ground, and in some cases was still smouldering; where every single vehicle was a burnt-out shell; where children's toys were melted where they'd lain when the fires were set; and there was no-one. And I thought to myself, as we drove towards Upper Memo, these people won't be voting today. How could you? How could you come back to this devastation two days after you've been chased out of your home?

But we came around the corner to the polling place in Upper Memo, and there in the sun, were hundreds and hundreds and

hundreds of East Timorese families, just waiting to vote. And every single one of them, according to the UNAMET officials, had come back. Every single one of them was determined to exercise that vote.

So in noting the challenges that I think face East Timor in a very microscopic way, from my very microscopic perspective of these few visits, I note that people with that determination, with that strength of purpose, with the support of the international community they are now receiving, are going to be able to take their new country where they want it to go.

TIMOR – EAST AND

WEST

Tim Fischer

To destroy and exterminate people who oppose integration. I come carrying the fire of death and I drink the blood of anti-integrationists. Before you enjoy the results of the UN and Australian deceit, I will totally destroy you first until the last. Did you think you could have freedom without sacrifice? The militia swear they will always defend the red and white until the last drop of blood.

This chilling statement by militia leader “Erico” was scrawled across the wall of the building next to the room I occupied in Dili’s Hotel Turismo. Discovered weeks after the ballot, it says much about the end game agony that descended upon East Timor in September 1999.

After 25 years of pain and little progress on East Timor, 1999 was to see all of this change with a sweeping set of developments. The ballot that gave the people of East Timor a choice about their future brought a brief period of happiness, but it was followed by a time of death and horrific destruction.

My involvement in the ballot started mid year. Just three days after formally ending my tenure as Deputy Prime Minister of Australia and Minister for Trade, I received a message that the Foreign Minister, Alexander Downer, was trying to contact me. It was Friday 23 July 2000 and he was in Singapore and as busy as the Foreign Minister is at any time. I thought this was a really nice gesture, that he was obviously wondering how I was surviving my first 72 hours as an ex-minister.

Whilst we had worked closely and smoothly together over five years in our respective portfolios, both in opposition and after March 1996 in government, we rarely spoke by phone. As Foreign Minister and Trade Minister we shared the one department, namely Foreign Affairs and Trade (DFAT). This structure worked well as we were in broad agreement on most issues. Departmental procedures saw all paperwork, such as ministerial submissions, reports and cables automatically go to both our offices, so direct ministerial communication was not all that necessary. It did take place, however, when something had to be sorted out at the highest levels.

Needless to say I was wrong about the reason for Alexander's call. He was, in fact, ringing to invite me to lead an official Australian delegation of observers to the East Timor Popular Consultation (to give its correct name). He named the other likely members of the delegation and explained that the task would be difficult and would involve some danger. My wife Judy and I wrestled with this invitation for a day or two, but eventually we decided that I should participate as long as the dates were free of key electorate commitments. This aspect I fine tuned with Michael Smith, Alexander Downer's Chief of Staff.

The ballot had been set down for Monday 30 August and the plan was for the delegation to be in East Timor for about a week. I wanted to delay our departure by a day so that I could spend Wednesday 25 August in Canberra. It was a busy parliamentary sitting day, but I was also due to have a farewell working dinner with the Board of Austrade and this had been organised many weeks before. I did not want to cancel the dinner as under "Murphy's Law of Ministerial and MP Scheduling" once you juggle a previously agreed to date, the new one never works out. As Austrade had been the cornerstone of the success I was judged to have had in the Trade portfolio, the planned dinner was important to me. So, I figured that by using a RAAF aircraft instead of commercial flights, the delegation would save a day up and back as we could fly directly to Dili and not have to go via Jakarta or Bali. Not only would we save on costs, but we could leave early on Thursday 26 August and I could cover my Austrade obligations.

Once all the scheduling problems were sorted out, I began to think of the invitation as a challenge. Could I handle the role of delegation leader given the diverse membership of the group and could I handle the difficult conditions in East Timor? I figured that this trip could not be any more difficult than the many tight situations I had found myself in over 22 years as a frontbencher in the robust worlds of state and federal politics. So I accepted the position of delegation leader and prepared for the extraordinary seven days I was to spend in Dili and East Timor in August and September 1999.

The popular consultation was the result of an agreement made between the Republic of Indonesia and the Portuguese Republic and a related agreement with the UN to create UNAMET (United Nations Mission in East Timor). This extraordinary set of documents was signed in New York on the 5 May 1999 by Jaime Gama, the Portuguese Minister for Foreign Affairs, Kofi A. Annan, Secretary-General of the United Nations and Ali Alatas, the Indonesian Minister for Foreign Affairs and provided the basis for the people of East Timor to decide their future: whether they would seek special autonomy under ongoing Indonesian sovereignty, or choose independence involving separate nationhood.

The issues of voter registration, both in East Timor and around the world, and the conduct of the vote were dealt with very broadly in

the agreements. However, Article 3 was very specific. It read, “The Government of Indonesia will be responsible for maintaining peace and security in East Timor in order to ensure that the popular consultation is carried out in a fair and peaceful way, in an atmosphere free of intimidation, violence or interference from any side.”

To prepare myself for the task of delegation leader, over the next couple of weeks, I began to read more closely news items and other material relating to East Timor. I also planned with DFAT that the delegation briefing take place on Monday 23 August at DFAT offices in Canberra, away from Parliament House so we would not be distracted. As a result of my years in public life, I have developed a hatred for having to work and travel on Sunday nights, given that it was usually my one night off for the week. But this was important, so I made a point of arriving in Canberra on Sunday night in order to be at the briefing before 8 am on the Monday morning. This worked out well as I was able to meet those delegation members from the non-government organisations and DFAT officers for a short discussion beforehand and build some rapport with them as delegation leader.

The briefing was comprehensive and delegation members were able to focus on their roles and responsibilities, and take particular regard to the security situation in East Timor. We were warned that Australians had been the subject of considerable hostility and could be targeted one way or the other by the militias and elements of the Indonesian military. Warnings were also issued about malaria and the need to take anti-malaria tablets. It was also confirmed that the ballot would proceed in the Oecussi Enclave (a part of East Timor lying within West Timor) on the same day as elsewhere.

We talked about conditions on the ground in East Timor, the make-up of various groupings and the origins of the quaint term, popular consultation. I recalled Ali Alatas saying at a joint ministerial meeting held between Australia and Indonesia earlier in the year, that the term referendum is simply not well understood in Indonesia. This was echoed by several other Ministers as we spent two days in official talks in Bali at a time when relations were relatively friendly. Using typical diplomatic fudge, it was agreed that in the UN process, the “referendum” would be called a popular consultation. The results and the decision on the future of East Timor would subsequently have to be ratified by the newly reformed Indonesian parliament, the People’s Consultative Assembly (MPR).

While not immediately relevant to the mission before us, we also discussed the Timor Gap Treaty. This had been signed by the then Australian Minister for Foreign Affairs, Gareth Evans, and Ali Alatas in 1989. It provided for the carve up of the oil and gas reserves of the Timor Gap into three zones with the billions of dollars worth of potential royalties being allocated to both Australia and Indonesia. At our

ministerial meeting in Bali, Ali Alatas and Coordination Minister Dr Ginangar very clearly stated that with independence Indonesia would step out of the Timor Gap Treaty and East Timor would step in. Alexander Downer fleshed this out further, affirming that Australia was not seeking to increase its share of Timor Gap oil reserves. Under the principle relating to successor States, there would be no change in the various arrangements and boundaries laid out by the Treaty. The briefing ended with the reminder that there would be no scope for individual activities and itineraries and that we would have to support one another at all times.

I left the briefing room feeling very subdued. I was conscious that this delegation faced a pretty difficult time with challenging situations and conditions awaiting us. Nevertheless, I appreciated the task of observing this important ballot was a vital and worthy one. The dangers we were to face would be nowhere near as great as for those staying on in East Timor after the ballot was announced.

The delegation represented a wide cross-section of political opinion. Over the years I had come to know the ways of a number of my parliamentary colleagues now on the delegation. Sometimes I had clashed with them. This was especially true of the ALP's Laurie Brereton as we sat opposite one another in the Lower House. You move on from these spats, but the very different personalities on the delegation would require careful handling.

Laurie Brereton had been in New South Wales and federal parliament for over 25 years and as Shadow Minister of Foreign Affairs he was keen to be seen as being active. If this meant scoring points against Alexander Downer, so be it. New South Wales Liberal Senator Marise Payne, on the other hand, had been in the Senate for only two years. She was ready to work hard and scrutinise carefully. Senator Vicki Bourne, a senior Democrats Senator also from New South Wales had consistently supported East Timor independence and had followed the issues very closely over the years.

Adding diversity were the delegation members who were neither Federal nor State parliamentarians. Rae Perry was a local government representative. An ALP councillor, she was not factionally aligned, and had a friendly manner and plenty of energy. The wise and determined Patrick Walsh has a senior representative from the Australian Council for Overseas Aid, and Ann Wigglesworth had been to East Timor before working with Caritas Australia, the Catholic relief agency which ran health and education programs in East Timor. The DFAT officers, Stephanie Shwabsky, Kirk Conningham and Anthony Pearce were very competent in their different ways and were not without humour. This assortment of people from many backgrounds shared one common thread, a strong belief in the importance of a free and fair ballot.

We were to work closely with UNAMET, the organisation with overall responsibility for the conduct of the ballot, so in our preparations and briefings we were given detailed information about its role. There were issues to consider relating to security and the operational conduct of the ballot such as the delivery of 850 ballot boxes, the printing of the roll of registered voters and the introduction of polling place arrangements that ensured secrecy. We were told that UNAMET was being supported by a strong but unarmed military liaison unit, which had headquarters up the hill from UNAMET's main Dili compound. There was also the large CIVPOL unit, made up of civilian police from many countries, again unarmed, and scattered across various centres, both large and small, throughout East Timor.

It was also explained that UNAMET's electoral officers came from around the world, but that they were being helped by many locally engaged staff. Overseeing proceedings were the three electoral commissioners – one each from Ireland, Korea and South Africa. The Australian Electoral Commission was also playing a huge supporting role by helping to provide computer printed rolls and other material.

With briefing notes read, malaria tablets packed and desks cleared, we were ready to join observers, journalists, electoral officers and aid workers from around the world to watch either the birth of a new nation or the final and complete incorporation of East Timor into Indonesia.

Nothing quite prepares you for the surprise and completely overwhelming experience that confronted myself and my delegation members in respect of East Timor. Partly as a consequence of that, I decided to keep accurate notes and bring them forward by way of a book.

Australia can be very proud of everybody who was posted to East Timor, both prior to the 20 September 1999 and with the Interfet forces afterwards. Australia has acted decently and fairly, efficiently and effectively, at each and every stage with regard to the East Timor issue over the last two years. When the record is examined, when the passions are cool and calmer by degrees, it will be judged that Australia acted meticulously as we worked through the inordinate and extraordinary challenges which arose. Better still, Australia has helped with others, including Thailand, the Philippines, New Zealand and eventually, by degrees belatedly, the United States of America – in producing an outcome which is solid, politically sustainable and seen as the birth of a new nation on our doorstep, namely East Timor.

The ballot was set down for 30 August. Marise Payne has given very accurate glimpses of the tremendous colour and movement associated with the ballot. It was an incredible day. As a practising member of parliament for 30 years, to see these people with their registration cards surge forward, to see the integrity of the ballot, the Australian Electoral Commission rolls, splendid computerised rolls, people's names crossed off. I still have my registration card, number

1346. I'm going to keep it for the rest of my life because, as a believer in democracy, I will never again see or experience a day such as Monday 30 August in East Timor.

There was a lot of media. As a consequence of that, of being on the world stage, the ballot was close. As late as Friday and Saturday, remembering ten people were killed in Dili the day we arrived, in the heat of the afternoon it was not a given that the ballot would take place the following Monday. An element in that was the role of the media and their reportage. On the following Saturday morning, Kofi Annan declared that 78 per cent of people had voted for independence, 22 per cent the other way. And there had been a massive turn out of some 99 per cent.

Then all hell broke loose.

Eventually a piece of paper issued from Jakarta gave the clearance for Interfet to arrive on the 20 September. Interfet, with their arms, then took over and for five months and a few days more they performed brilliantly before it moved though to the next stage.

I want to salute the ABC, SBS and many others, including Channel Nine, for some very tough journalism, on the top of the roof of the hotel, sitting ducks for snipers around Dili. They put in huge hours, at the risk of their lives, to see that the message got back. Of Channel Nine's Richard Carleton that's another matter. Read Chapter Ten in my book and you'll see.

May I commend *Ballots & Bullets: Seven Days in East Timor*. The proceeds from sales are going to charities, health and education projects with Bishop Bello, Caritas and others. There is a touch of sadness. Sister Marguerite pictured on the front cover survived the upheaval, survived the burning down of Bishop Bello's house, survived the rations and arrival of Interfet, the restoration of law and order only to die about a week ago from natural causes.

I am quietly confident that Australia will rebuild good relations with Indonesia. I'm quietly confident as President Wahid visits East Timor this very day, that the relations between East Timor and Indonesia, equally important, will move forward as will those between Australia and East Timor and Australia and Indonesia.

We should not apologise. As Australians we can be proud of those Australians, Kiwis and others posted to East Timor who did a fantastic job against enormous challenges. Above all else, the bravery of the people of East Timor deserves a salute for their courage in making a choice which has now been delivered.



Photo – David Karonidis

Wolfgang Hoffmann

During a visit to Australia in March, Dr Wolfgang Hoffmann met with Australia's Foreign Minister Alexander Downer to oversee the signing of an Agreement to establish 20 monitoring stations around Australia under the auspices of the CTBT. Professor Hoffmann also addressed The Sydney Institute on Wednesday 5 March 2000 at a lunchtime meeting. Wolfgang Hoffmann is Executive Secretary of the Preparatory Commission for the Comprehensive Nuclear Test Ban Treaty Organisation. Australia ratified the Treaty on 9 July 1998 and continues to encourage other States that have not done so to sign and ratify the Treaty, including the remaining nuclear weapon states of the US, Russia and China as well as India, Pakistan and Israel.

TOWARDS THE END

OF NUCLEAR TESTING: THE CTBT AND AUSTRALIA

Wolfgang Hoffmann

It is a particular pleasure to be with you today. Australia played a pivotal role in piloting the Comprehensive Nuclear Test Ban Treaty (CTBT) through the, sometimes, turbulent negotiations and made sure that it landed safely on the floor of the United Nations General Assembly, where it was adopted and could thus take its rightful place among the array of arms control treaties. I can assure you that all those who know anything about the CTBT will be aware of the outstanding contribution that the Australian Government and its excellent delegates made to this achievement. And I am glad to pay tribute to them here.

The adoption of the Comprehensive Nuclear Test Ban Treaty by the United Nations General Assembly on 10 September 1996 – by 158 votes to three against, with five abstentions – ended one of the longest treaty negotiations in the history of arms control, non-proliferation and disarmament. Two and half years of intensive effort had gone into drafting the Treaty text and its two annexes during the negotiations in the Conference on Disarmament in Geneva. And an even longer preparatory process spanning almost 40 years had preceded those negotiations.

That process was initiated as early as 1954, when Prime Minister Jawaharlal Nehru of India proposed a so-called standstill agreement to suspend nuclear-weapon testing worldwide. However, in the shadow of the Cold War, the lack of trust in the capabilities to monitor and verify adequately compliance with a comprehensive nuclear test ban treaty was a major obstacle to any agreement. Limited success was achieved in 1963 when the Partial Test Ban Treaty entered into force, which prohibited nuclear testing in the atmosphere, in outer space and under water. But not underground. Ultimately, it was the experimental tests of an ad hoc Group of Scientific Experts, set up by the Conference on Disarmament, that showed that it would be possible to verify comprehensively a ban on nuclear weapon test explosions, using a global seismological monitoring system, which paved the way for the start of new negotiations.

During the preliminary discussions that took place before the Conference on Disarmament, in 1993 its Ad Hoc Committee on a Nuclear Test Ban was given a mandate to negotiate a comprehensive test-ban treaty. The Australian delegation participated vigorously in all the debates. When the negotiations started in earnest in 1994, Ambassador Starr of Australia and his team continued to play an active and enthusiastic part, particularly in ensuring that the monitoring stations became an integral part of the Treaty and in work on national implementation measures. The “model” treaty texts that Australia drafted were of great value to the negotiations in preparing the final draft text that eventually emerged in the summer of 1996. However, as one delegation could not join the consensus on the CTBT, it could not be adopted by the Conference. Australia then demonstrated its dedication to the Treaty by requesting that the 50th session of the General Assembly be resumed for the purpose of considering the CTBT, in order that it could still be endorsed in 1996, as called for by the Assembly in 1995. Australia annexed the Draft Treaty text to its request and submitted a draft resolution for which it obtained 127 co-sponsors. And so the Treaty came to be adopted on 10 September 1996.

Fittingly, it fell to Australia to pass the finishing post in the long relay race to achieve a CTBT, which, in the words of President Clinton, was the “*longest fought, hardest sought prize in the history of arms control.*” On 24 September 1996, the CTBT was opened for signature at United Nations Headquarters and signed by 71 States on that day.

So why is the CTBT significant? The Comprehensive Nuclear Test Ban Treaty bans all nuclear test explosions, for military as well as for civilian purposes. Article I of the CTBT on Basic Obligations foresees no compromises. It reads as follows:

Each State Party undertakes not to carry out any nuclear weapon test explosion or any other nuclear explosion, and to prohibit and prevent any such nuclear explosion at any place under its jurisdiction or control.

Each State Party undertakes, furthermore, to refrain from causing, encouraging, or in any way participating in the carrying out of any nuclear weapon test explosion or any other nuclear explosion

The Treaty also provides for the establishment of a global verification regime – comprising an International Monitoring System; consultation and clarification; on-site inspections; and confidence-building measures – to ensure the reliable detection and identification of any ambiguous event, and to provide a credible deterrent to clandestine nuclear testing. The CTBT is thus not only the expression of an intention – that of each State party not to carry out any nuclear explosion – but also a commitment by each State signatory to ensure the Treaty’s viability by establishing a regime to monitor adherence and to detect violations. Furthermore, the CTBT contains specific arms

control elements. It not only impedes the development of sophisticated and qualitatively new nuclear weapons in any realistic way but also curbs the spread of nuclear weapons. Indeed, the Treaty's existence creates a strong moral and political norm against testing, and promotes compliance even before entry into force.

The global verification regime should be operational at entry into force of the CTBT. Therefore one of the main tasks of the Preparatory Commission is to build up the worldwide network of stations that comprise the International Monitoring System (IMS). This network of 170 seismological, 60 infrasound, 11 hydroacoustic and 80 radionuclide stations – supported by 16 radionuclide laboratories – will be capable of registering vibrations underground, in the sea and in the air as well as detecting traces of radionuclides released into the atmosphere by a nuclear explosion. The stations will transmit a steady stream of data generated by these four complementary technologies, in near real time, via a global satellite communications system to the International Data Centre, within CTBTO PrepCom in Vienna, where all the data will be processed. All data, raw or processed, from the monitoring facilities will be made available to the States Signatories. There are provisions on consultation and clarification for dealing with ambiguous events. As a final verification measure, an on-site inspection may be requested.

Our organization is building up the International Monitoring System according to a schedule of activities determined by our annual programme and budget. For instance, from the start of our operations in 1997 up to and including the 2000 budget year, the amount of money budgeted for capital investment in establishing or upgrading monitoring stations is US\$ 92.1 million. This sum represents about 43 per cent of the total capital investment required to complete the entire monitoring network.

The 89 States named in the Treaty will be hosting a total of 337 monitoring facilities. Australia is contributing a total of 21 facilities (20 stations and one laboratory) to the network, which makes it the country hosting the third largest number of stations, after the United States and the Russian Federation. These facilities span the length and breadth of Australian territory, from the remote Cocos Islands in the Indian Ocean to metropolitan Melbourne. Australia is also responsible for three stations in Antarctica.

Two excellent seismological array stations are in the middle of Australia. Array stations can accurately measure the direction of the source of a seismic event and its distance. Each day, there are about 20 seismic events, around the world, registering at least magnitude 4 on the Richter scale. The total amount of data collected by the IDC will be over 10 gigabytes of data daily! Which gives our analysts a lot to do in filtering events. Currently four Australian primary seismological

stations, two auxiliary seismological stations and one infrasound station are contributing data to the IDC. And that includes Mawson, a primary seismological station in Antarctica.

The array at Warramunga (near Tennant Creek) – operated by the Research School of Earth Sciences at the Australian National University – is a particularly important component of our global monitoring network because it detects more seismic events than any other station on earth. It is now the most advanced seismological station in the southern hemisphere and was the very first station on which we undertook work. In this case, the work was to upgrade the station to meet IMS standards. A data authentication system is currently being installed at Warramunga. The station will be ready for certification when this work is complete. In operation since 1965, the Warramunga station has been contributing its research data on seismic discrimination for over 30 years to international efforts.

As for the Australian hydroacoustic station at Cape Leeuwin, a site survey has been completed to prepare for the installation of a hydrophone station. Hydrophones can pick up acoustic waves from underwater events occurring thousands of kilometres away, on the other side of the world, through the propagation of sound in the deep-water SOFAR channel. At Cape Leeuwin, three hydrophones, or underwater microphones, will be located 115 kilometres offshore at a depth of one kilometre. An underwater cable on the sea floor will connect them to a land facility where the data they generate will be transmitted to our Centre at Vienna. We have recently awarded a contract of about \$10 million (Australian) for the design, construction and installation of the station, and the contract has a significant Australian content.

Work on three of the five infrasound array stations for which Australia is responsible is now under way. Infrasound from nuclear explosions propagates over distances of many thousands of kilometres and can be easily detected using ultra-sensitive microbarometers. Nuclear explosions in the atmosphere can therefore be detected and accurately located using a global network of infrasound array stations. The site survey for the infrasound station at Warramunga has now been completed and surveys for the stations at Narrogin in Western Australia and Hobart in Tasmania will be carried out in the next few months. Equipment for the new infrasound array station at Warramunga will be installed within the next few weeks and it is expected that this station will be in operation and certified by the end of this year.

The final detective work in the case of a potentially clandestine test will be done by our network's radionuclide facilities because they can detect the tell-tale traces of radioactivity through the presence of fission products. The smoking gun! During the negotiations, Australia provided valuable expertise in radionuclide technology and is still involved in supervising the implementation of our radionuclide

monitoring network. For instance, staff at the radionuclide stations in Melbourne and Perth are developing software for coordinating the operations and output of the station that might be used at other radionuclide stations in the network. A satellite connection has been installed at the Melbourne station, which is co-located with the Australian Radiation Laboratory. This Laboratory, along with the 15 other laboratories specified in the Treaty, will be assisting us on request to analyse filters from the stations and, if required, samples taken by inspectors in the event of an on-site inspection. Once the software has been configured at Melbourne and back in Vienna, it will be possible to transmit data to our Centre.

As for the CTBT itself, with its 155 States Signatories, it is approaching the status of a universal Treaty. Fifty-four States, including 28 of 44 nuclear-capable countries listed in the Treaty – whose ratification is necessary for the Treaty's entry into force – have deposited their instruments of ratification with the Secretary-General of the United Nations. Australia, as one of the 44 nuclear-capable countries listed in the Treaty, was the fifteenth signatory State to ratify the CTBT, on 9 July 1998.

Last October, the first Conference on Facilitating the Entry into Force of the CTBT was held. Its purpose was to consider and decide by consensus what measures consistent with international law could be undertaken to accelerate the ratification process in order to facilitate the early entry into force of the Treaty. One of the observations was that unilateral self-imposed moratoria on testing cannot replace a legally binding commitment through an international instrument such as the CTBT. The Final Declaration adopted by the participants also included an appeal to all sectors of civil society to raise awareness and support for the Treaty's objectives. And I would like to echo that appeal to each of you today.

Meanwhile we are continuing our work at the Vienna International Centre. We started operations on 17 March 1997. CTBTO PrepCom is an independent international organization with its own membership and budget. The budget for 2000 is \$79.9 million and for 1999 it was \$74.7 million. I don't need to tell you that Australia is a fully paid-up member of our organization and that includes its contribution for 2000. Considering the high rate of payment of the assessed contributions to our budget (so far, 100 per cent of the 1996 budget, over 97 per cent of the 1997 budget, over 96 per cent of the 1998 budget, and over 95 per cent of the 1999 budget as well as 29 per cent of the 2000 budget), our young organization enjoys a high degree of support from its member States, which is rather rare these days for an international organization.

With a staff of over 220 from some 65 States signatories, the Provisional Technical Secretariat has grown in numbers and functions.

And I can assure you that the work of building up the monitoring system is in good hands, as the Chief of the Hydroacoustic Section and our senior Infrasound Officer are both Australians.

Australia is also supporting us in our efforts to convene an International Cooperation Workshop in Beijing in June for countries of South-East Asia, the Pacific and the Far East, following on previous Workshops held at Vienna and Cairo. Such meetings are aimed at informing those unable to attend our regular meetings of the benefits of joining the Treaty and how they can maximize those benefits at a regional level.

First and foremost, the Treaty advances the cause of international security by its comprehensive ban on nuclear explosions. And second, the Treaty establishes a comprehensive monitoring system to verify compliance. In establishing this system, our organization is equipping the 89 countries listed in the Treaty with cost-free, cutting-edge technology, supporting the operation of their stations, and training their staff in processing, using and evaluating the data from the four verification technologies. All the monitoring facilities will be owned and operated by the countries hosting or taking responsibility for them. However, the spin-off benefits arising from the CTBT verification technologies may be no less significant than the primary function of arms control. They could potentially give us deeper insight into geophysical hazards – earthquakes, volcanic eruptions and atmospheric turbulence.

The CTBT and its verification regime are already proving their worth even before entry into force. The direct involvement of Australia in all the technologies, for instance, guarantees that Australia will continue to play a leading role in the development and use of monitoring techniques to make the planet safer. This all takes effort, time and extensive resources but the arresting of horizontal as well as vertical proliferation is an important step on the way to a nuclear-weapon-free world. And it is certainly a worthwhile enterprise for the 21st Century.



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1. Milton Osborne, Priscilla Williams
2. Anne Keating
3. David York, Jo Lonergan,
Duncan McInnes
4. Jenny Gentry, Simon Gentry
5. Catherine Briggs
6. Susan Ryan, Anne Henderson
7. Robert Talbot-Stern

8. Stephen Cathcart, Sheila Johnston
9. Adam Szumer, Kayla Szumer
10. Mark Morey, Stephen Murray
11. John Mundy
12. Guest and Geoff McKie

Photographer: David Karonidis



Photo – David Karonidis

Michael Lee

Labor leader Kim Beazley believes education is one of the most important issues for the next federal election. Taking up this theme, Shadow Education Minister Michael Lee addressed The Sydney Institute on Monday 6 March 2000, to outline a refreshed approach to education from Labor – and some important measures aimed at revitalising the teaching profession with the introduction of Teacher Development Contracts and Teacher Excellence Scholarships.

LAYING THE

FOUNDATIONS FOR THE KNOWLEDGE

NATION

Michael Lee

Let me begin by thanking the Sydney Institute for the opportunity of speaking to you tonight about some of the Australian Labor Party's plans to help lay the foundations for the Knowledge Nation. Five months before Labor's National Conference and eighteen months before the next election is likely to be held, I will not be releasing our entire education policy tonight, despite claims to the contrary by an editorial writer in *The Australian*. I used to believe editorials were more dispassionate than journalists' copy until a recent *Sydney Morning Herald* editorial referred to "Michael Lee, the head kicking factional warrior". It's quite a come down from the "human face of the NSW Right" as one of the *Herald's* more astute journalists once put it.

Two weeks ago Kim Beazley and Cheryl Kernot released the *Workforce 2010* discussion paper and outlined some initiatives in employment and training:

- Skills Profiles to identify areas at risk;
- retraining targeted to workers at risk;
- a Workforce Forecasting Council; and
- a commitment to maintain a federal government role in the job market.

Tonight I will expand on the education implications of *Workforce 2010* and explain why lifting the quality of teaching in Australia is a critical part of laying the foundations of the Knowledge Nation. I will be outlining some of my views on the challenges facing us in education and announcing two important initiatives to help improve the standard of education for young Australians at school.

A year ago Kim Beazley spoke about an OECD study of globalisation which concluded that national governments face two options in their policy responses to the global economy:

The first is to become what they call the "night watchman" state, in which government attends only to military, judicial, administrative and regulatory issues. Social services are devolved, with many left entirely to the private sector. Innovation and new ideas are

concentrated amongst a few private companies, not diffused across the economy by government involvement, and in the long run not only is income inequality widened, but technological advance is inhibited.

The second option is to make the transition to a knowledge nation, relying on leadership from government in diffusing the benefits of innovation and new technologies, and in boosting educational attainment. Productivity grows, information is shared, and people are not left behind.

John Howard's decisions on education, employment and community services put him firmly in the "night watchman" camp. The only exception being Tony Abbott's government solution to grape picking last weekend. Intellectuals like Tony harvesting the crops has a whiff of 1960s Mao to me. Labor knows we must take the second path, the Knowledge Nation path. Globalisation and the IT revolution are changing the way we learn, work and relax. In the emerging information age, many of Australia's traditional industries will face greater competition and many of the high value, high wage jobs of the future will be in businesses which successfully create, use and transform knowledge.

In many ways our future is in the hands of Australians like

- the young medical researcher working on a new diagnostic test to identify and help cure disease;
- the industrial chemist developing better ways to manufacture Australian products; and
- the computer engineer designing the software that improves communications for people in remote communities.

The alternative is to pay to use the diagnostic tests, the manufacturing technology and the telecommunications software developed by other countries. We need to invest in developing our own intellectual property to earn royalties and licence fees, otherwise our balance of payments will be swamped by a huge intellectual property deficit. At the heart of Kim Beazley's commitment to transform Australia into the Knowledge Nation is this belief. Australia can expand its future opportunities by improving our creative infrastructure by a determined effort to lift the skills of our people. New opportunities for the nation mean new businesses renewing rural and suburban communities and new jobs expanding career choices for people. Applying new knowledge will also strengthen the position of traditional agricultural, mining, manufacturing and service industries.

The alarm bells

At a time the economy, to use the Prime Minister's description, "...is as strong as it has been at any time since the end of WWII ...", there is a loud alarm bell ringing about the investment we are failing to make in

our nation's future. The ABS has been measuring private investment in research and development for 20 years and the last two years are the only ones on record when private R & D in Australia has actually declined. If our country was positioning itself for the information age, you would expect the percentage of national income invested by the Commonwealth Government in education, training and research to be increasing. In fact it has declined from 3 per cent in 1996 to 2.5 per cent last year and falling.

I do not know of any other advanced country which has deliberately reduced its national investment in education, training and research at the same time as its private R & D effort has declined. While Australian investment, at a time of steady economic growth, is drastically in decline – our competitors are accelerating. In the US President Clinton recently announced an extra \$US2.8 billion for research. In the UK, the “Building the Knowledge Driven Economy” White Paper announced increased research funding of more than one billion pounds. But in Australia, Dr Kemp's research White Paper did not have one extra dollar for research.

Workforce 2010

A crucial part of becoming the Knowledge Nation is forward planning. *Workforce 2010* included a research paper commissioned by the Labor Party from the Centre for the Policy Studies at Monash University. Their modelling of Australia's employment trends for the next decade predict that if Australia stays on its current path, by 2010 there will be:

- 7-8 per cent unemployment;
- fewer jobs for people with no post-school qualifications; and
- 40 per cent of the new jobs will be for university graduates.

These findings show that we *must* increase the number of young Australians finishing Year 12. If we do not we are condemning them to a bleak employment future. I am often told that people are sick of politicians whose horizon does not extend beyond the next election. They want us to address the country's long term needs. That is why we have committed ourselves to a goal of 90 per cent Year 12 retention rates by the end of the decade – and at least some formal training qualification for the other 10 per cent. This goal will not be easy to achieve. In 1998 only 72 per cent of young Australians stayed on to Year 12.

It is also not good enough on its own. *Workforce 2010* tells us that even someone with a Year 12 or equivalent qualification may still find it very difficult in the job market. We must not only convince young Australians to stay at school to year 12 but also to continue learning after school – at university, TAFE or on-the-job.

We must recover the lost ground and seek to match other countries like France, Germany, Japan that have already exceeded the 90 per cent target. Lifting retention rates will require innovative and

focused programs to reduce the number of students who drop out of school.

Some schools have already had some success through developing more relevant subject choices, offering VET in schools and introducing mentoring programs for students at risk. Improving the quality of teaching will also play a key role in improving retention rates and the effectiveness of school education in Australia. I will say more about this later.

Higher education

Workforce 2010 also highlights the critical importance of higher education. All of you would be aware that last September, I released Dr Kemp's Cabinet Submission outlining his plan to deregulate student fees, introduce vouchers and replace HECS with real interest rate student loans. I will be discussing the release with federal agent Tom O'Brien from the Australian Federal Police on Wednesday. As you know, after initially defending the plan, Mr Howard said he would not implement Dr Kemp's proposals. However in the last two months,

- the National Young Liberals Convention endorsed deregulation of fees and the introduction of vouchers; and
- a few Vice-Chancellors have been calling for student fees to be deregulated at all universities or at a smaller group of "Ivy League" universities.

Higher education in Australia is in crisis.

Dr Kemp admitted in his Cabinet submission, what he always denies in public, that the quality of university teaching and research has been undermined by "higher student/staff ratios, less frequent lecture and tutorial contact and ...outdated technology". He also admitted that "eight institutions appear to be operating at a deficit and some regional campuses are at risk".

This is no surprise given that the Howard Government has reduced its investment in higher education by a billion dollars. To those few who still believe Dr Kemp's plan is the solution, I make three points. First, Labor will not support deregulation of student fees. Increasing the burden on students will make it impossible for students from low and middle income families to be able to afford to study at the best universities. The Howard Government has already slugged – students with HECS increases of up to 125%, making average student fees comparable with the US.

The reason the majority of vice-chancellors oppose deregulation is they understand that the newer, smaller and regional universities would be hardest hit. They know they could not charge the high fees which the sandstone universities would command. They know they would lose their best lecturers and researchers to them and students who – cannot afford the highest fees would never see them again.

Second, we cannot support the introduction of voucher funding because it will divert scarce funds from public universities to private universities such as Bond and Melbourne University Private. Third, we reject Dr Kemp's plan to scrap HECS and replace it with real interest rate student loans because it is unfair. Real interest rate loans mean the longer you pay, the more you pay. If you have a lower income after graduation, you will take longer to repay your loan, so you will pay more. If you cannot find work immediately after graduation, if you – volunteer to work for an overseas aid agency for a year or if you take time off work to raise a child, you will take longer to pay, so you will pay more.

In New Zealand, deregulated fees and real interest rate student loans have driven graduates overseas and then forced them to stay away as their debt grows exponentially.

Australia's universities are in a crisis. The challenge is not to make it worse by falling for Dr Kemp's argument that the only solution to the funding crisis the Howard Government has deliberately caused is to accept the deregulatory model.

Last year I outlined Labor's alternative plan to expand research in Australia. It includes an increase in Commonwealth research funding, post-doctoral fellowships for young researchers and increased investment in vital research infrastructure. I will say more about how and where Labor intends to boost national investment in higher education on another occasion.

Schools

After our family, teachers have the greatest influence on our learning. Students even spend twice as much time with their teachers as they do watching TV. I am sure everyone here tonight can remember at least one outstanding teacher from their school days. For me it was our science teacher. Phosphorus was set alight, cubes of sodium danced on water, chlorophyll separated into its components on blotting paper and esters were made from pineapple juice.

Unfortunately most of us were too young to remember the early primary teachers who helped us learn numbers, letters and words, or the teacher who provided the remedial help when our reading slipped behind the rest of the class. So many teachers are still changing people's lives every day, in every school. The best teachers know that no matter how well they teach today, they are going to have to do even better in the future.

The future of young Australians depends in large measure on how well teachers and their families prepare them for the rapidly changing society in which they will live. We are demanding more and more from teachers, schools and students. Young people don't just need a thorough grounding in the basic skills to read, write and add up. They need

to be competent in using a computer and the internet. They need inquiring minds, a thirst for knowledge and skills for a workplace. They need to be equipped to deal with changing social problems and most importantly they will need to be able to undertake a lifetime of learning as the nature of work and training changes.

Very few of them will have the same job throughout their working lives. They will need to have the skills to train and retrain for the new career opportunities that will emerge.

International comparisons – TIMSS

Some ask how the standard of education in Australian schools currently compares with that in other countries? It's hard to make international comparisons, especially given the different curricula and different school starting ages (and that's just within Australia!). One of the few international comparisons is the Third International Mathematics and Science Study conducted in 1995. For primary school students, six countries including Singapore, Korea, Japan and Hong Kong outperformed Australia in mathematics.

While in sciences Korea and Japan outperformed us in (upper grade) science. For junior secondary students, eight countries again including Singapore, Korea, Japan and Hong Kong outperformed Australia in mathematics. In science four countries including Singapore, Korea and Japan outperformed us in (upper grade) sciences.

You may be interested to know Australian students achieved the highest scores on the causes of sunburn and the unwanted consequences of introducing new species but had the lowest scores on questions involving multiplication and division of fractions and decimals.

Australia competes directly with Singapore, Korea, Japan and Hong Kong for regional employment opportunities. Our goal must be to ensure that an Australian education is the best in the region. TIMSS also has a sobering message about junior secondary teacher disenchantment. The study found that between 50 and 60 per cent of teachers in Australia and New Zealand would choose a career other than teaching if they could. This was much higher than in any other TIMSS country, at least 20 per cent higher in most cases.

Testing

Last week the NSW Teachers Federation placed bans on the ELLA (English Language Literacy Assessment) test for Year 7 and 8, which resulted in 90 per cent of students not participating in this year's test. I understand that the ban was imposed because the Federation opposed literacy teachers being moved to the schools which the ELLA tests identified as having the greatest literacy problems.

It is hard to believe that a “progressive” union would oppose targeting literacy teachers to the school students with the most serious literacy problems. There are also some states where the teachers’ union discourages or bans participation in basic skills tests at schools. Let me make Federal Labor’s position on testing clear. First we support basic skills tests. Second we support targeted intervention to address the problems identified. Third we support the right of parents to know how their child is progressing at school.

The reason Labor supports testing is that system wide basic skills tests provide useful information to teachers, parents and principals. That is not to say that basic skills tests are enough. Many teachers use a rich diversity of measures to assess the progress of their students. Some regularly conduct their own classroom diagnostic tests. Many teachers have told me that external basic skills tests have helped alert them to the needs of some students who were having problems. The tests also helped identify potential high achievers whose performance had been underestimated.

Dr Kemp talks a lot about testing and national benchmarks but he doesn’t do much other than re-badge existing programs with new names and seek to claim the credit. What is the point in testing if you do not do anything about fixing the problems? Labor supports testing because we have to change the culture of low expectations for poor kids. Unlike Dr Kemp, Labor also supports more funding for remedial teachers for those who need more help.

Teacher professional development

Tonight I am announcing a key part of Labor’s plan to lift the performance of schools.

Some argue that the performance of students at a school is largely predetermined by the socio-economic status of the student population and their families. There is no doubt that students and teachers in poor communities often have to contend with severe social problems as well as the usual challenges all students deal with. However, recent research in the United States suggests that improving the quality of teachers through professional development dramatically lifts student performance.

The research was published last month in the *Education Policy Analysis Archive* by Linda Darling-Hammond, Professor of Education at Stanford University and Executive Director of the National Commission on Teaching and America’s Future. Professor Darling-Hammond compared the performance of students in reading and mathematics across 41 American States against factors such as poverty, English-language proficiency, per pupil spending, class size and teacher quality. Her findings are vitally important for education policy makers. She found that:

The most significant predictor of student achievement in reading and mathematics in each year tested is the proportion of well-qualified teachers in a state: those with full certification and a major in the field they teach.

The strongest, consistently negative predictors of student achievement, also significant in almost all cases, are the proportion of new teachers who are uncertified and the proportion of teachers who hold less than a minor in the field they teach (p25).

In all cases, the proportion of well-qualified teachers is by far the most important determinant of student achievement: it is highly significant in all equations for both subject areas in all years and at all grade levels (p28).

Her study also gave case studies of North Carolina, Connecticut and Kentucky which have significantly lifted their performance between 1992 and 1996 after investing in teacher quality improvement. The powerful message of this study is that the most important thing government can do to improve student performance is to invest in the quality of teaching. In particular Professor Darling-Hammond also drew attention to the importance of mathematics and science teachers being well qualified.

This should ring alarm bells for Australia. The Deans of Education have been warning for some time about the looming shortage of teachers, particularly in mathematics, science and IT. Lawrence Ingvarson, Associate Professor of Education at Monash University, has raised concerns that already 25 per cent of people teaching mathematics and science in Victoria were teaching outside their field.

How can we possibly hope to catch up with our regional competitors – Japan, Korea and Singapore – if one-quarter of our children are being taught maths and science by teachers who are not fully trained to teach these subjects. Remote, rural and disadvantaged metropolitan communities are already having the most trouble attracting and retaining qualified teachers in mathematics, science and IT. While John Howard has made it worse, by making a BSc/DipEd qualification \$4,000 more expensive than a Bachelor of Education, Labor's teacher quality initiatives I am announcing tonight go to the heart of fixing this problem.

Teacher quality

Teacher quality must become a foundation issue in building the Knowledge Nation. Teachers are the key determinant of student outcomes. The majority of Australia's teachers are very good, but like everyone else they must continue to change and improve. The best teachers know they must continue to upgrade their skills. A Beazley

Labor Government will implement two initiatives to improve the quality of teaching:

- Teacher Development Contracts; and
- Teacher Excellence Scholarships.

Teacher development contracts

Labor's Teacher Development Contracts (TDCs) will be a partnership between the Federal Government and teachers who share a commitment to improving student results by lifting teacher quality. Teachers will be offered by their employer – state or private – the opportunity to undertake a course of study to improve their teaching skills. If a teacher decides to take up a Teacher Development Contract, the course will be funded by the Commonwealth Government. The teacher will also receive an incentive payment from the Commonwealth Government, upon completion, of around \$2,000. The majority of the teacher training must be in their own time – school holidays, evenings or weekends. The first priority for the Teacher Development Contracts will be to offer intensive courses for teachers who are forced to teach outside their area of expertise. Teacher Development Contracts may be offered to assist teachers make better use of IT and also to recognise excellent teachers and share their knowledge.

We will work with the states, the Deans of Education and teachers to develop appropriate courses to improve classroom teaching practice. I have already outlined the research of Professor Darling-Hammond that suggests that improving teacher quality will significantly lift student results. Despite promising in 1996 to continue Labor's teacher professional development program, Mr Howard considered that a non-core promise. There has been no federal funding for professional development since the end of 1996. The Senate Education Committee's Report *A Class Act* which recommended a substantial increase in teacher professional development has gathered dust. Some funding will finally resume this year, but it is not enough to make a difference in the classroom where it counts.

Teacher excellence scholarships

A Federal Labor Government will offer scholarships to high-achieving school leavers to study education with a focus on areas of undersupply – currently maths, science and IT. There is strong evidence that Australia has a growing shortage of qualified maths, science and IT teachers. Recruiting high performing students into a teaching career will be a 30 year investment in raising the standard of teaching. The quality of student results will be enhanced as more students are taught maths, science and IT by teachers qualified in and passionate about these disciplines.

The scholarships will be structured so that each teacher's HECS debt will be paid by the Commonwealth Government each year they remain teaching. This means that a teacher would receive about \$1,500 a year for up to ten years, if they stay in the profession. We will encourage each state government to contribute some matching funds to make the scholarships even more attractive to students in their state. The precise number of scholarships to be awarded each year will be announced in Labor's education policy.

Conclusion

The Teacher Development Contracts will lift the quality of teachers working outside their areas of expertise, improve IT teaching practice and share better teaching methods.

The Teacher Excellence Scholarships will attract better high school students into the profession to address the looming shortage of maths, science and IT teachers.

Labor will have more to say about school education and other education issues throughout this year and the next. These two initiatives in raising the quality of teaching in Australia address one area where we believe action is required. Professor Darling-Hammond's research should empower teachers to work to continue to improve their classroom practice. It also places an obligation on all governments to support and encourage those that do.



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1. Andrew Horton, Dick Klugman,
Duncan Chappell

2. Michael Walker

3. Ros McDonald, Jim Bain

4. Patricia Keith

5. Elizabeth Jeffries, Deborah McDowall

6. Adam Cagliarini, Gisela Williamson

7. Michael Cass, Chris Eiser

8. Joshua Kirkwood, Matthew Martin

9. Merlin Chandra, Kate Hacking

10. Richard Thorpe, Jack Last

11. Julianne Noble, Hans Westra

12. Penelope Rice, Leslie Apolony

Photographer: David Karonidis



Photo – David Karonidis

Marilyn Lake

Australian women today enjoy freedoms unimagined by their mothers and grandmothers – the result of over 100 years of feminist activism. In her book *Getting Equal* (Allen & Unwin), Marilyn Lake challenges common misconceptions and offers new interpretations of the women's movement. In an address to The Sydney Institute on Wednesday 8 March 2000, Marilyn Lake reflected on the relevance of motherhood to the agenda of the Australian feminist movement between the wars and the legacy it left future generations of feminists.

THE LIMITS TO

EQUALITY

Marilyn Lake

Today is International Women's Day. Discussion about feminism today tends to address the questions of whether feminism, does feminism have a future, what point is there to feminism any more, etc etc? Tonight, since Anne Henderson has suggested I speak in relation to my book, *Getting Equal*, which came out last October and is the first history of feminism in Australia, I'd like to speak to some of the themes in the book.

Feminism has been very diverse in Australia. It's had different goals and different strategies. But because we tend to read back into the past what we know of feminism today, we tend to assume that there were the same feminist goals, a few years ago, 70 years ago, or 100 years ago. In fact feminism has oscillated between different goals and different strategies. Sometimes it has emphasised women's difference from men, particularly with regard to women as mothers, for example. Sometimes it has emphasised women's common aspirations with men, hence focusing on the goals of equality at work and equal opportunity. Today we tend to associate feminism with that later phase, where feminism equals equality with men interpreted as sameness with men, doing the same things as men, entering the world on the same terms as men. But that's not always been the case.

Feminism's relationship to motherhood nicely exemplifies my point about changing strategies and goals. This talk was titled, "The Limits to Equality", because in some ways there are very real contradictions and paradoxes inherent in the project of feminism itself. And motherhood in particular has posed a continuing challenge to feminist thinking.

I will start by referring to Fay Weldon's recent collection of essays *Godless in Eden* which tends to adopt an approach of pitying men, and asserting that feminism has gone too far, for boys and men. One of the points that Weldon also makes is with regard to the pitiable condition, the powerless condition, of mothers in our society. Weldon deplores the current condition of mothers. She sees in their difficult

position the failure of feminism itself. She berates feminists for failing to address the needs of mothers, writing, “The feminist movement does not know what to do with them and never has.”

Weldon is an English writer and, like most commentators in Britain and the United States, assumes that what goes for her society goes for the rest of the world. It’s a parochialism inherent to imperialism. Generalisations are thus made about men, and men’s parlous condition in society which may not hold for Australia. But her account of feminism’s relationship to mothers is certainly not the case with regard to Australia. The feminist movement in Australia has been deeply concerned with the condition of mothers for much of its 100 year history.

To set the scene I want to first say a bit about feminism in the first decades of the 20th century in Australia. The Australian women’s movement was uniquely influenced by the fact that its emergence coincided with the beginning of the nation state – the birth of the Commonwealth coincided with women’s entry into public life. White women in Australia effectively won the vote in 1902 – a year after the inauguration of the Commonwealth. This coincidence was unique in the world. And it gave feminism a certain sense of itself. A certain self-consciousness about its particular project was of engaging in nation building. For this, and other reasons, feminists tended to emphasise women’s work as mothers. They emphasised women’s responsibility for future generations because they would determine whether we would become a great and just country.

One of the common misconceptions I challenge in my book is the idea of two waves of feminism. People talk about two waves. One was meant to have ended around the time of suffrage. The second wave was meant to have started in the 1970s. Again, that’s an image borrowed from the United States and Britain, a classic instance of how imperial histories shape our own history. What I found when I began to research this topic was that, if anything, the period between those two waves, the 1920s to the 1940s, the period between the wars, was the golden age of feminism in Australia, when feminism was at its height although it has often been interpreted as the very decades when feminism was meant to be in a lull.

One of the reasons this period has been overlooked, is precisely because feminists today look for different markers, different aims and goals from those expounded in the past, so that we don’t tend to see previous movements as feminist, even though the women then were self-consciously feminists and called themselves “feminists”.

The following passage from my book sets the context, the historical context, in which the *rights* of mothers began to be articulated in the 1920s:

During the 1920s and 1930s the rights of mothers came to be articulated in quite distinctive political and class contexts... that women have rights as mothers proved a powerfully unifying principle among women activists between the wars.

One of the significant things about the concept that mothers had “rights” was that it was a unifying conviction, and it brought together Aboriginal and non-Aboriginal women, women across classes and parties. And, as we know well, from the publicity given to the “stolen generations”, Aboriginal mothers certainly had no rights. But nor did white mothers have custody rights in law in New South Wales until 1934. The fight for custody rights for Aboriginal and non-Aboriginal women was one of feminism’s major campaigns between the wars.

In these years, there was a commonality of interests between Aboriginal and non-Aboriginal women. Feminists also attempted to establish mothers’ custody rights in divorce courts in opposition to the exclusive legal rights of husbands and against the intrusions of the state.

Labour movement women insisted on the right of working class mothers to keep their children – in opposition to the new claims by the State to the guardianship of those deemed “neglected”. Legislation in New South Wales which authorised the taking of Aboriginal children away, was a direct extension of legislation which was initially aimed at neglected children in general. When that was first introduced it was specifically directed at working class children, children at work, children on the streets, children associating with prostitutes and drunks. So working class mothers organised in the early 1900s to stop their children being taken away and to secure state funding in the form of maternity allowances to assist poor mothers to care for their children. Post-suffrage feminists, then, claimed rights for mothers in an attempt to enhance their economic, political and social independence.

Outrage at mothers’ lack of legal rights over the custody of their own children was one of the reasons women joined the 19th century “woman movement”, as it was called. Dora Montefiore was one of the founders of the Womanhood Suffrage League in Sydney. When her husband died in 1889 she consulted her family lawyer about her husband’s will and was informed that he had made no provision in the will for the guardianship of her children. They could remain with her, but only because he had not specified otherwise in the will. Mothers had no custody rights in law. She was amazed, telling the lawyer: “You don’t know how your horrible law is insulting all motherhood.” She wrote in her memoir from that day: “I was a suffragist and determined to alter the law.” Custody laws were state based laws and not until 1916 in New South Wales, with the *Testators Family Maintenance and Guardianship of Infants Act*, did widows automatically become their own children’s legal guardians.

Labor Party women put mothers' custody rights on the political agenda in Australia when they were forced to defend working class mothers against the intrusions of an increasingly child-oriented State, against having their children taken away. From the 1890s and into the first decade of the Commonwealth, Australian governments, spurred on by philanthropists and ironically by activists in the women's movement itself, passed a range of laws aimed at removing so-called "neglected children" from the contaminations of their own families and communities. For example, George Guillaume, the Secretary of the Neglected Children's Department in Victoria opined that, "The rescue and regeneration of neglected children in Victoria" was "one of the most sacred and pressing duties of any state". The leading South Australian reformer, Caroline Clark agreed that it was a grave mistake to leave young children to be raised "in the hotbed of their own moral disease".

So working class mothers felt enormously vulnerable at the incursions of the State into their homes. It is clear that it was working class children who were thought to be at risk. Legislative definitions of neglect expanded to include children who spent too much time on the street, in the company of drunkards and prostitutes or those who took on paid work at too young an age. The State's interest in the child as future citizen threatened mothers least able to care for their offspring in the way stipulated by the expanding State agencies.

There was growing concern, however, about the wisdom of removing children from their families into the care of strangers. This led to so-called boarding out schemes, which meant that the states would pay mothers, if they were respectable, married and white, to care for their own children themselves. But one of the main responses to this threat to working class children was that the Labour movement itself formulated policy aimed at giving maternal benefits to children and mothers. And it is in this context that the maternity allowance was introduced in 1912, child endowment in New South Wales in 1927 and child endowment federally in 1941. The Labour movement also began to call for a mothers' pension fund to provide the money to enable all working class mothers, whether married or unmarried, to care for their own children.

It is interesting to note that the 1912 maternity allowance was introduced by Labor Prime Minister Andrew Fisher. Labour women in Victoria applauded him for not only acting on their advice (they had lobbied for this for some time) but also for extending it to unmarried mothers. They saw unmarried mothers as women of their class, as working class women. And when clergymen and various other conservative forces condemned the extension of the maternity allowance to unmarried mothers ("women who would be mothers before they would be wives"), they were explicit in objecting that such legislation under-

mined the marriage contract, on which the State rested. But, while Labor women rallied round and congratulated Prime Minister Andrew Fisher, the legislation also deliberately excluded, in defence of White Australia, mothers who were black, coloured, Aboriginal. It was class legislation to rescue working class children, but only white children.

So feminists have long had an interest in mothers' and children's rights – rights to custody and an income which would enable mothers to raise their own children. In this context it is also worth noting that it was working class women in Australia who first discovered the double working day, the double burden which we now all talk about – arising from the contradiction between paid work and raising children. It was working class women, of course, who first knew that burden. William Lane, the socialist utopian writer of the 1890s, in his novel *The Working Man's Paradise*, called women the “weary sex” because it was working class women who worked a double or triple day.

The first feminist to be elected to the New South Wales parliament in 1925, Millicent Fawcett Stanley, who wrote a play staged in the Criterion Theatre by J. C. Williamsons called *Whose Child*. This drama was staged in the hope of convincing parliamentarians to change the law on custody. The Attorney-General was invited along and seated in the first row. It's a wonderful histrionic play. I read the transcript in the National Library. The play's protagonist, a mother deprived of her children, says that she has on her side all the laws of God and all the laws of nature, that mothers should be able to have custody of their own children. The husband replies that he has on his side all the “laws of man”.

So, there was a particular context for the campaigns for maternal rights. The concern wasn't with recognising “needs”, their need for care or assistance – a language for the subordinate. It was about mothers being treated like workers, doing valuable labour that earned them “rights”. They were trying to establish the mother as a rights-bearing figure.

One of the consequences of this emphasis on maternal rights was the ready identification in the 1920s and 1930s, by feminists, especially in Western Australia and South Australia, with Aboriginal mothers. They were having their children taken away by an assimilationist state. Feminists were the first organised political group in Australia to identify with Aboriginal mothers, to rally with them and mobilise with them against having their children taken away. It's part of our history that we know too little about. Not surprisingly trade unions and left wing organisations who became interested in Aboriginal rights in the 1950s and 1960s weren't especially interested in mothers' rights. They tended to focus on Aboriginal rights in terms of men's wages and equal pay, the sort of issues trade unionists and Communists could more readily identify with.

However, because feminists were maternalists, it followed naturally that they supported Aboriginal mothers against the State. Western Australian women engaged in the politics of international embarrassment to shame the federal and Western Australian governments into doing the right thing. Their agitation was reported widely in *Manchester Guardian* and led to a Royal Commission being appointed in Western Australia in 1934 to look into the condition of Aboriginal people. Mary Bennett had already delivered a paper in London, called "The Aboriginal Mother in Western Australia". It was perhaps the first published paper about the conditions of Aboriginal mothers in Western Australia. Aboriginal women also went as witnesses to the Royal Commission where they stated their concern about having their children removed and placed in government institutions; and their worry that they didn't have enough to eat.

One feminist, Ada Bromham, argued explicitly that Aboriginal mothers should be granted custody rights over their children because, as she said, "under the law, the mother has no right over the child". This was an important intervention. She drew on that wider feminist discourse about mothers rights and applied it to Aboriginal mothers in Western Australia. Her comment that the Department was too ready to take the children away led to the following exchange in the Royal Commission. The Commissioner said, "That should operate only where it was clear, beyond doubt, that the child was not being properly looked after." She said, in answer, "It is becoming more or less the practice to take the children away. In only eight cases where the fathers were known were proceedings taken for maintenance. It has been suggested the act has its limitations and needs to be amended."

Bromham also drew attention to the violence of the government's settlement at Moore River where many children were taken. And her use of evidence from Aboriginal women earned her a reprimand from the Royal Commissioner who accused her of relying on "hearsay" evidence. The feminists worked with Aboriginal women, heard their stories of what had happened and then quoted Aboriginal women in their evidence. The Royal Commissioner objected, "I'm not coming in day after day to listen to hearsay evidence... It's all very interesting." Bromham replied that it was an ordeal to come before a commission of that kind. Emily Nannup said plainly to the Royal Commissioner, "I want to know the reason for my children being taken from me." For decades Aboriginal women tried to stop their children being taken away. It is worth noting that they also went to the Royal Commission to make their case.

Mary Bennett was the most passionate and eloquent of these proponents of Aboriginal women's rights. She reserved her strongest condemnation for the policy of child removal. She insisted: "No department in the world can take the place of a child's mother and the

Honourable Minister does not offer any valid justification for the official smashing of native family and community life.” She spoke about the life of terror led by the hunted ones. In her words, “Mothers with infants and individual children and sometimes families are mustered like cattle and deported to the remote government native settlement at Moore River, there to drag out their days and years in exile.” Bennett understood how Aboriginal people belonged to their own country – removal meant exile from their own country, “there to drag out their days and years in exile suffering all the miseries of transportation through no fault of their own but only because the white supplanters were too greedy and too mean to give them living areas in their own districts. They are captured at all ages, as infants in arms, perhaps not until they’ve grown up. They’re not safe until they’re dead”. Despite the passion and power of those accusations they had very little effect because the so-called science of eugenics won the day.

By the 1960s this espousal of motherhood rebounded on feminists. In 1965 at the Regatta Hotel in Brisbane when women chained themselves to the bar in a protest against their exclusion, the first questions the police asked them were, “Where were their children?” and “Who was looking after them?” Thus the politics of motherhood rebounded on their successors. They were locked into the very identity they had promoted to win their rights. Thornton had gone to the pub in March 1965 to protest against the Queensland law that prevented women from being served alcohol in public bars. In the 1960s, Aboriginal people and women were prevented from drinking in public bars and much political action was directed at occupying them. They were very parallel protests. It was something of a misnomer to refer to a “public bar” which was closed to large sections of the community. Upon being refused a beer in Brisbane, the feminist protestors took a dog chain and a very large padlock from a bag and chained themselves to the rail, an action that sparked enormous media interest. It also presaged a new phase in the history of feminism.

One of the main criticisms of these wives of university lecturers, as they were called in the press, was their lack of feminine decorum. Their defiant demand for a drink flouted the prevailing code of womanly respectability. Feminism was becoming intemperate and brazen. The women’s demand to be allowed to drink in public bars, alongside the men, represented a sharp break for a feminist tradition which had been closely allied with the temperance movement and cultivated the respectability expected of exemplary citizens.

Barbara Curthoys has called her study of the Union of Australian Women *More Than a Hat and Glove Brigade* to point out its sometimes militant purpose, although its mode of attire (hats and gloves) in fact suited its mode of doing politics. The organisation operated very much in the tradition of the polite deputation presenting properly constituted

petitions – its sartorial style denoting its respect for political convention and institutional ritual.

In Brisbane in 1965 Merle Thornton had initially gone through those conventional channels of political lobbying, but grew impatient. She was a mother of two, and a post-graduate student in philosophy at the University of Queensland. Why should she be prevented, she said, from joining her colleagues after work for a drink. “Imagine yourself,” she said, “the businessmen, the worker, the academic, the politician, who couldn’t go down to the bar for a drink with the others after the conference to celebrate the completion of a big job or just because you felt like it.”

In Australia the pub was an extension of the workplace. That’s interesting in terms of equality of citizenship. Women’s and Aboriginal people’s rights of citizenship were curtailed in Australia. The exclusion of women, from the space of the allegedly public bar, effectively discriminated against them as citizen workers.

Merle Thornton made a good case about the logic of equal rights for women entailing a refusal of special protection – the sort of protection allegedly being offered by hotels in the parlours and lounges set aside for ladies. And interestingly in these places, perversely, given women’s lower wages, higher prices prevailed. In a press release, Thornton outlined her opposition to what she called Victorian protective patronage, condemning legislation that set out to protect women who didn’t want to be protected.

The incident in the public bar of the Regatta Hotel, Brisbane, caused enormous media interest: there was a special edition of the new current affairs program *Four Corners*. One of the most disturbing aspects of the case, it seems, was that these women were mothers. In pursuing their own selfish interest, these women were neglecting their primary obligations to their children. One male critic, Frederick White of Banyo, wrote to the press, “Would the ladies feel any guilt if some person had kidnapped one of their children while they were chained to the bar?” In the Queensland State parliament, the Labor member for Sandgate wondered whether the neglected children should not be committed to the care of welfare authorities. Here again one can see the continuing refrain of neglect and women’s responsibilities as mothers.

Journalists visited the women’s suburban homes where they were relieved to find happy families and attentive mothers, in one case supervising the children’s homework – there’s a wonderful photograph in the Queensland press of Merle Thornton supervising her daughter’s homework (her daughter is Sigrid Thornton – the star of *Sea Change*). Early feminist achievements thus rebounded on their successors. The cause of neglected children, once feminists’ very *raison d’être* for

entering public life, was now invoked to discredit the demands of those who came after them.

Feminism has been so very diverse in its orientations, strategies, goals; each phase of feminism is historically influenced by what has gone before. The most challenging demand in the 1920s was for women's right to an income, the right to economic independence, the right to an income from the State to do the work of being a mother. Not surprisingly, this was not successful. So feminists turned to the workforce, recognising that the only way to get economic independence was to join men in the paid workforce. Feminists began to focus on the paid workforce in the 1930s and 1940s, demanding equal rights and opportunities. This in turn generated the feminist demand for childcare, which became a definitive issue for 1970s feminism.

Today, of course, there is still no solution to the contradictions between the organisation of paid work and family life. People now say "look at all that's been achieved, there's no need for feminism anymore". And for young women in their twenties and thirties (educated, middle class, white women) there would seem to be no problem. They can enjoy the freedoms and independence and mobility that feminists over the ages have won for them. But as soon as they have children they find that there's still a contradiction between caring (not only for children, but also the elderly and the sick and the disabled) and working full time, on terms that were predicated on women being at home. The organisation of full time work assumes a class of people at home doing the housework, looking after the children, being there.

Today, there is still no solution. One of the *ad hoc*, pragmatic "solutions" is for women to work part time. About 70 per cent of part time workers in Australia are women and that's one reason why women in the workforce only earn 65 cents in the male dollar. So we're no closer to a solution that provides for equality because the very structures of paid work and the rhythms of paid work and public life are still untouched by feminist critique. The feminist vision of social transformation is more relevant than ever it has been.



Photo – David Karonidis

Ted Evans

As Secretary to the Treasury and a member of the Reserve Bank Board, Ted Evans has presided over Australia's most significant period of taxation reform in half a century. Taking up the broader picture of economic management, Ted Evans addressed The Sydney Institute on Tuesday 14 March 2000 on the issue of economic governance. Conceding that "there is no universally accepted set of principles as to which functions ought to be exercised by government and which are better delegated to a subsidiary, perhaps independent, body", Ted Evans also pointed out that governments often do not benefit from having an independent Reserve Bank, when voters do not understand that "it is the Bank, and not the government, that determines when their mortgage rates will increase or decrease".

SOME ASPECTS OF

ECONOMIC GOVERNANCE

Ted Evans

The Business Council of Australia (BCA) recently proposed that Australia's economic performance might be enhanced if one important aspect of policy making, fiscal policy, were undertaken by a body independent of the government of the day; and, more to the point, independent of the parliament.

Without wanting to address that proposal in full tonight, I would like to place it within the generic context of economic governance; and to consider some of the issues that require resolution in assessing the BCA's proposal.

In doing so, I shall call on some of our experience with the conduct of monetary policy, wherein lies part of the genesis of the BCA proposal; and observations on the operation and governance of the International Monetary Fund (IMF) which also throw some light on the issues at stake. The latter example will also allow me to return to the main topic of my previous address to the Institute, just over two years ago, and to reassess the generally favourable comments I made then regarding the IMF's performance.

The issues

Let us be clear at the outset, however, that the BCA proposal is not as radical as it has sometimes been portrayed. It is quite common for parliaments to delegate matters to other bodies; indeed that is the objective of much of the legislation passed by parliaments.

Often it is the express intent that the conduct or implementation of the policy be independent of both parliament and government. The legal system is a well known example. The administration of the tax system is another, whereby the Commissioner of Taxation has complete independence of the government of the day in administering laws passed by the parliament. These are easily understood cases of independence being an objective in its own right and such practices no longer vary greatly between countries.

There are many less clear cases where countries take different approaches and individual countries' practices also change over time. The conduct of monetary policy is an obvious example.

Hence, looking at the total range of the policy arena, which is itself undefined, there is no universally accepted set of principles as to which functions ought to be exercised by government and which are better delegated to a subsidiary, perhaps independent, body.

Some general guidance, however, might be gleaned from current practices. For example, in considering whether a function might be best carried out by someone other than government, one may want to consider:

- The “state of the art”; more fully, is there sufficient agreement on the matters to be addressed to leave the functions in the hands of non-elected officials; and a particularly important subset of this issue relates to policy instruments that affect more than one policy target;
- The governance arrangements: selecting the “non-elected officials”; and
- The government's or parliament's “reserve powers”.

It may also help, in looking at some concrete examples, to draw on the useful distinction between policy-making and policy-implementation; for we may find that, in most cases, governments or parliaments do not delegate their policy-making powers. Rather, they make the policy and delegate its implementation. Individual cases may blur the distinction but it is a useful starting point.

Monetary policy

If we start with monetary policy, we immediately find an example that blurs the distinction I have just drawn. For in most countries, and certainly in all mature economies, the making of monetary policy is now the sole province of the country's central bank. Central banks are seen to be and in most cases are “independent” – meaning, independent of the government of the day.

Moreover, they are so, because virtue is seen in independence itself; ie there is a belief that, in this field, policy outcomes will be better if policy is made without regard to short-term political considerations.

Interestingly, in Australia's case, this has always been the formal position. The Reserve Bank Act of 1959 gave responsibility for monetary policy to the Reserve Bank Board and the Act has not been amended in that regard since that time. The Act provides for the Board to be overridden by the government – this is the “reserve power” to which I referred earlier – but the political requirements of such action are such that the power has never been used.

In practice, for much of that 40-year history, the RBA Board did not utilise that independence. For the most part that was because, until

recently, governments were not prepared to relinquish control. Also, as has been recorded in papers by the current Bank Governor, it had something to do with the way in which policy was conducted in the highly regulated financial system which prevailed for much of the period, which left some tools of monetary policy effectively in government hands.

In today's system, that is no longer the case. Monetary policy is conducted entirely through market operations and governments have no instruments at their disposal to take part in that process; this is an important point to keep in mind when we move to other examples of policy independence.

Returning to the policy-making/implementing dichotomy, one might argue that the Bank is simply implementing policy as the objectives of policy are firmly prescribed in the Act; and now further elaborated in the agreement between the government and Bank on the inflation target. While there is substance in those points, the fact remains that it is the Bank, through its Board, that makes the decisions that give effect to the policy objectives. In short, the Board sets monetary policy.

The benefits of this independence may not be fully recognised until the populace at large understands that it is the Bank, and not the government, that determines when their mortgage rates will increase or decrease.

As such, monetary policy sits at one extreme of the policy independence spectrum. That fact also throws some light on what one might expect to find in the Bank's governance arrangements, ie in the composition of the Bank Board. In particular, while it would be expected that Board members be apolitical – in the party-political sense – it would equally be expected that they have political abilities: ie that they be adept at assessing facts and taking policy decisions *in the national interest*. This, together with the requirement of integrity, is the basis of selecting Board members.

This latter point appears to have been lost on some who see it as a weakness that the RBA Board is not comprised solely of experts in monetary matters. I think it is fair to say that, at least at this stage of Australia's economic development, monetary policy has become independent partly because the Bank Board is not so comprised.

The International Monetary Fund

Similar considerations were to the fore when the IMF was established over 50 years ago, ie the governance arrangements were devised so as to give prime consideration to the health of the *world* economy (as defined in the Fund's Articles) not the national interests of member countries. The Fund is governed by its member countries, with voting by the full membership as necessary. But most decisions are formally

delegated to the Fund's Executive Board – including, for example, the decision that has been exercising the Fund membership for some months, the selection of the Fund's Managing Director.

Consistent with this high degree of delegated responsibility – of policy independence – Executive Board members have a prime duty to the purposes of the Fund and are independent of their member governments. For example, should a country leave the Fund, its Executive Director would remain on the Board, and continue to cast that country's votes until the next election of Directors. Come the next election of Directors – elections are held every two years – democracy would reassert itself.

In practice, the governance of the Fund may not appear as independent of its member governments' national interests as the formal position suggests. But those who lightly cast aside the importance of policy independence might note that, 50 years ago, the world's major governments considered it a very serious matter.

What do they think today?

Views differ. But the governance arrangements of the Fund are one of many issues that have come under notice in the aftermath of the turmoil in financial markets that was sparked in Asia in mid-1997 and reverberated around the world for the best part of two years.

I spoke about those issues at this venue two years ago, when the Asian financial crisis was just over half a year old. Already then there were severe criticisms of the Fund's handling of the crisis. My remarks to you then were highly supportive of the Fund and I don't wish to amend that aspect of the record.

Moreover, the Fund could claim that its activities in Asia were highly successful as most of the severely affected countries are now well on the way to recovery – much more quickly than generally expected. But the episode was traumatic for the countries concerned and one could have little confidence that it could not reoccur at short notice.

Hence I have come to accept the more widely held view that the Fund must do much better in future. How it should do so remains the subject of considerable ongoing study and debate on which I won't dwell tonight; beyond noting that the outstanding feature of that debate has been growing, if begrudging, acceptance that a significant part of the problem lies in the inadequate performance of "international" financial markets. Achieving agreement on solutions to that problem seems likely to prove a long and protracted process.

There are better chances of improvements being made in many of the other areas of weakness in the Fund's operations and in the performance of individual member countries and much of that work is progressing well. It extends to the governance issues which are tonight's main theme.

As I suggested a few minutes ago, governments have not been entirely happy with the governance of the Fund. The degree of independence intended to be displayed by the Board has not been in evidence – for the not unsurprising reason that elected Board members do tend to give some consideration to the wishes of their electors. For those Directors elected by only one country, the outcome is rather stark and there has long been concern about the influence of the major “shareholder”.

Recognising the reality that national interest considerations will find their way into Board deliberations, the Fund membership decided to formalise the situation to some extent by superimposing a Council of Governors (effectively, Ministers) to take high-level decisions and assert more overt political influence over Fund operations. They did so 30 years ago. But while the Fund’s Articles were amended then to allow for the creation of that Council, it cannot come into effect without 85 per cent voting support, which has never been achieved. In the 30 year interim, there have been six-monthly meetings of the appropriately named Interim Committee – which has the same membership as the proposed Council but without its decision-making powers.

The most recent bout of financial crisis brought the establishment of the Council back to the agenda; to no avail other than to change the fetching title of the Interim Committee.

As strange as this might seem to sensible people, the outcome has some justification in that the creation of the Council would not bring change of the order that many regard as necessary. In particular it would further enforce an outmoded voting system.

For example, although the Fund undertakes periodic “electoral redistributions” (in the form of changes in voting shares to reflect the changing relative economic size of countries) the rules of those redistributions are determined by the existing voting shares – so change is predictably slow. Suffice to say that the voting power (and Board representation) remains tilted towards the “old world”; with consequent under-representation of emerging market countries. Rather inappropriate, given that either a little thought or casual observation would suggest that the emerging markets are precisely the places where one might expect to find the development of both financial crises and a growing experience in dealing with them.

In recognition of these problems, the United States brought together a group of countries, known briefly as the G22, more representative of the current world economy, to examine the issues thrown up by the Asian financial crisis. This extraordinarily productive group, to which Australia contributed, produced much of the constructive work that led to the creation of the Financial Stability Forum and the co-called G20, on both of which Australia is represented.

The G20 is a most significant development. It brings together the group of countries most likely to be representative of world economic and financial issues for some decades to come. Moreover, it includes the European Central Bank, giving one of the world's top three currencies a voice that could not be achieved in the IMF. It has no formal governance of the Fund but it provides a political forum that, from here on, provides the scope to influence important Fund decisions.

So, in the IMF, we have an example of the prevailing view of world governments tending towards a desire for somewhat less independence than had been the case; while, in the field of monetary policy, as noted earlier, governments are generally seeing benefits in greater independence. And, before passing on to fiscal policy, it might be worth recording, at the intersection of IMF and monetary matters, that the most controversial aspect of the Fund's performance in Asia was that arising among monetary experts on the conduct of monetary policy.

Fiscal policy

What guidance do these developments provide for considering proposals for greater independence of fiscal policy? Firstly, let's understand the proposal, at least in generic terms. The proposition is that we could achieve better economic outcomes, if fiscal policy decisions we're not so heavily influenced by short-term political considerations.

- By "better economic outcomes", we mean better growth and/or lower inflation;
- By "fiscal policy decisions" we mean not the host of social, economic and political decisions that go into budget revenue and expenditure proposals, but decisions on the overall shape of the budget – often captured, in a shorthand sense, by the movement in the deficit or surplus.

So put, the proposal is not without attractions. We all want better economic outcomes; so too, of course, do governments.

But the premise underlying this proposal must be that governments might sometimes want something else, for example re-election, more than they want better economic outcomes. While that might be seen as a cynical view, it is not without some empirical support. And similar thinking – i.e. a desire to limit the potential damage of political expediency – has underlain some of the most significant advances in fiscal policy making in recent years: such as the medium-term focus and framework, the Charter of Budget Honesty, and increased transparency of decision making more generally.

Would this proposal build on that?

Two issues seem to me to be critical. The first is that there does not appear to be sufficient agreement on the economic effects of fiscal

decisions to warrant the separation of such decisions from others addressing the same or related targets.

- In particular, the proposal appears based on a view that the economic cycle can be smoothed by well-judged adjustments to tax rates or expenditure levels. There is unfortunately no agreement amongst economists on that proposition. There is reasonable agreement that it may hold in certain circumstances; but judgements on the circumstances will differ; and an independent body may not have, or be given, access to the full set of information needed for an informed judgement.
- Further, the instruments put at the independent body's disposal (eg a general income tax levy) might look reasonably innocuous in the abstract but might assume importance in relation to other policy goals in different circumstances (examples are easy to find).
- Moreover, the weight of professional opinion is decidedly against "fine-tuning" in fiscal policy making; yet an independent body with no other function would be highly vulnerable to fine-tuning.

The second critical issue is that a government could not avoid retaining the power to override decisions of the independent body. The latter may have the power to determine the "bottom line" but the government or parliament must retain the power to take taxing and spending decisions, any or all of which could thwart the independent authority's intentions, intentionally or not.

- Here, a comparison with monetary policy is instructive. I noted earlier that one of the elements leading to the successful operation of independent monetary policy was that governments no longer had at their disposal the tools to operate in the monetary sphere. Hence they can only override the central bank by direction.
- It is inconceivable that such a situation could arise in the fiscal sphere: governments and parliaments must retain the power to change taxes and spending. And, having such power, would they not use it should "circumstances" require?

In short, while the public is coming to accept that governments can no longer set interest rates – and hence have yielded that function to the Reserve Bank – is it likely that people will accept that governments cannot set tax rates?

There are many other arguments for and against such proposals, on which I won't dwell. What should be said is that the proposals do take the debate on such matters in the right direction; they encourage focus on the *outcomes* of decision making and they highlight the benefits of *transparency*.

Conclusions

Let me conclude with a few remarks on the subject of *transparency* which, together with accountability, is intertwined with our general theme of economic governance and policy independence.

In the mountains of studies generated by the Asian financial crisis, no theme recurs more frequently than that of transparency – to the extent of raising questions of whether it isn't the "easy out" when other solutions are too hard. Discounting that latter thought, there is now widespread recognition that economic interrelationships are of such complexity that decision-making can only be enhanced by increased knowledge – transparency – of the actions and plans of others. "Decision-making" in this context refers to the decisions of market participants, of governments and of voters.

Transparency has a particularly important role in the application of "standard-setting", another of the key outcomes of international efforts to improve economic performance and reduce vulnerability. There is agreement on the desirability of all participants adopting best practice standards; but recognition also of the improbability of that. One resolution, which Australia has promoted, is insistence not on uniformity but on transparency of the standards being observed – leaving it to markets, or governments, or voters, to act on the information disclosed.

In a similar manner, transparency may well yield many of the benefits sought by the proponents of policy independence.



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1. David Maywald, Stefani Neelagama
2. Melanie King
3. Diane Frieser, Baljit Sidhu
4. Bill Clark, Yvonne Preston, Cecilia Clark
5. Margaret Carter
6. Tim Fischer, Marise Payne
7. Kath Dunn, Gisele Tabbakh, Josephine Tabbakh

8. Alison Sandow, Max Sandow, Mark Bethwaite
9. Bernard Kezelman, Gerry Levy
10. Helen Boyton and friend
11. Elaine Henry, Fran Hagon
12. Vanessa Cogan and guest

Photographer: David Karonidis

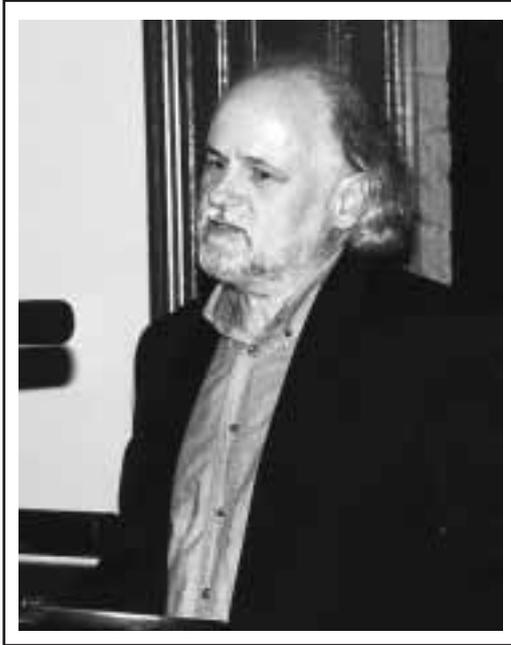


Photo – David Karonidis

David Day

David Day's biography of Australia's wartime Prime Minister John Curtin, *John Curtin: A Life* (HarperCollins) represents a significant reassessment of a man who did so much to shape Australia's destiny and whose impact on Australian politics is still felt today. To discuss something of his work and the life of John Curtin, David Day addressed The Sydney Institute on Tuesday 21 March 2000.

CURTIN AS HERO

David Day

It has long been a commonplace observation about Australia's pantheon of historical heroes that they are flawed, even failed, individuals. They are more tragic failures than triumphant heroes in the classical sense. There were many heroes on Gallipoli but the only one we remember was not a soldier but a stretcher-bearer and his donkey. Similarly, the most-remembered Australian hero of the 19th Century is the bushranger, Ned Kelly, or perhaps the most flawed failure of all, the explorer Robert O'Hara Burke. What is even more peculiar about Australians is our reluctance to recognise our political leaders as heroes. In contrast, a recent American poll revealed that political leaders provided more than half of their national heroes. Such a result would be unthinkable in Australia, the idea that a political leader might be as heroic as a leg spinner.

By definition, political leaders are partisan figures and those who are political heroes to some, such as Menzies or Whitlam, are invariably reviled by others. There was, however, one exception. That person was John Curtin, prime minister from just prior to Pearl Harbor in 1941 until his death in July 1945. Last year, Curtin had the singular distinction for a Labor man of having his former house in Perth bought by the combined efforts of the Liberal Prime Minister, John Howard, and the Liberal Premier of Western Australia, Richard Court. They were acknowledging Curtin's role in uniting the nation during the Second World War, for having welcomed the Americans and for having organised the war effort that saw off the Japanese. In a time of national peril, Curtin seemed to transcend politics. As he still does.

It seems to have come as a surprise for some admirers of the depoliticised national hero to discover that the historical Curtin was different in some important respects from the heroic Curtin. Reactions to the publication of *John Curtin: A Life* reflect this surprise and even disappointment. It was expressed best in articles in *The Australian* by Anne Henderson (20 January 2000) and particularly by Paul Kelly (26 January 2000). Anne seemed shocked by revelations of Curtin's

bouts of drinking and episodes of depression that often left him unable to cope with the demands of office. As if heroes had to live the lives of saints. Indeed, Curtin had much in common with Churchill in this regard. Both were hard-drinking, manic depressives and both managed nonetheless to provide inspirational war leadership. At least, in Curtin's case, he stopped drinking before becoming prime minister and before he began making life and death decisions.

Paul Kelly's article is more blunt, headlined "Wartime leader was no hero" and asking "Does John Curtin deserve the nation's adulation?" Like Anne, he seems to have been taken aback by revelations of Curtin's alcoholism, although that has been at least partly known since a series of newspaper articles by Curtin's biographer, Lloyd Ross, in the 1950s, later toned down in the published biography 20 years later after threats of libel suits from the Curtin family. Kelly was particularly troubled by the attention given to Curtin's early radical days with the Victorian Socialist Party. "It is clear," writes Kelly, "that it was socialism, the class struggle and the overthrow of capitalism that defined Curtin's political identity." But how could someone described by Kelly as "a radical and a revolutionary" remain as a national hero, transcending partisan politics?

While it is true that Curtin's early life was spent waiting for what he called "the day of golden opportunity", when capitalism would collapse, he had become reconciled by the mid-1920s to capitalism continuing for the foreseeable future. In such circumstances, his role became one of working through the Labor Party to ameliorate the lot of its working class constituency by parliamentary means. He abandoned his rhetorical attachment to revolution and followed the path of reform. With his powerful oratory, clear-eyed intelligence, breadth of interests, and palpable sincerity, Curtin rose to become leader of the Labor Opposition in 1935.

It was a time of increasing peril, both in Europe and the Pacific, and Curtin used his position to press the case for national defence. He faced a government under Joseph Lyons who, while anxious to avoid war, was determined to keep Australia tied to Britain and the system of imperial defence whereby the various parts of the empire would contribute forces to the defence of the whole. With advice from anxious army officers, Curtin argued that such a policy left Australia vulnerable to attack. After all, Australia was unlikely to be menaced in the Pacific by Japan unless Britain was simultaneously menaced in Europe by a hostile continental power. In such circumstances, relying upon Britain to send forces to our assistance, argued Curtin, was "too dangerous a hazard upon which to found Australia's defence policy".

How prescient of him. Five years before the fall of Singapore, Curtin had foretold those terrible events and warned of the plight in which Australia was likely to find itself if it continued its attachment to

the system of imperial defence. So concerned was Curtin that he made defence the major issue at the 1937 election and was roundly condemned by the press and by conservative politicians for doing so. Damned as an isolationist, his arguments failed to sway the electorate.

When war came four years later, his aim was to keep both party and nation united and he extended every assistance to the new prime minister, Robert Menzies, short of agreeing to join a national government. Even a government of the employers, reasoned Curtin, was preferable to a foreign dictatorship that would put paid to all the hard-won gains of the labour movement. When Menzies proved to be a failure as wartime prime minister, being more interested in securing a political future in London than in securing Australia from invasion, the parliament eventually turned to Curtin in October 1941 to provide the unifying and inspirational leadership that Menzies was clearly unable to provide. Colleagues who had expected Curtin to fumble and fall apart under the pressure were astounded to see him rise to the occasion. The journalist Allan Fraser recalled how "literally within weeks, he had the job completely at his fingertips. He felt he was master of it and he was master of it".

While he quickly took charge of the government, Curtin made few dramatic policy changes in those few precious weeks prior to Pearl Harbor. Despite having opposed the deployment of Australian forces to Europe, he made no move to seek their recall from the Middle East, to stop the flow of reinforcements or to stop the dispatch of trainee airmen to Britain under the Empire Air Training Scheme. Of course, in the eight weeks available to his new government, it would have been difficult to re-orient Australia's war effort so that the defence of Australia, rather than the defence of Britain and its empire, was the top priority.

Instead of seeking the return of Australian forces, Curtin increased the pressure on Churchill to make good on his defence undertakings to Australia by dispatching a fleet to Singapore. And he took great solace from Churchill's sending of the modern battleship *Prince of Wales* and the battlecruiser *Repulse*, supposedly as the first echelon of such a fleet. According to Curtin, this "altered the whole position". The system of imperial defence, to which Menzies had committed Australia, seemed at last to be working for Australia's defence as well as Britain's.

Unlike Menzies, Curtin did not rely solely on Britain. During those crucial eight weeks, he dismantled the wall of opposition that Menzies had maintained to any defence links with the United States. Incredible as it may seem in hindsight, Menzies had prevented the establishment of an American air link across the Pacific to Australia and had refused landing rights to American aircraft. Menzies had wanted such a route kept firmly in British hands. Curtin quickly swept

aside these objections, offering the Americans landing rights in Australia free of any conditions for the duration of the war. The American air force was encouraged to develop airfields across northern Australia as part of an alternative reinforcement route for their forces in the Philippines. As a result, the Americans, but not the British, were already in Australia prior to Pearl Harbor. Had Menzies remained in power, this would almost certainly not have occurred and Australia may well have experienced the same fate as Singapore.

Although Curtin had questioned the rationale underlying the Singapore strategy and had warned that Britain would be unlikely to defend Australia if it was trying at the same time to defend itself in Europe, he did not try and recall troops from Middle East even after the Japanese attack on Pearl Harbor. For some time he believed that Singapore would hold out and that the involvement of the Americans would limit the expansion of the Japanese, perhaps to north of the American-occupied Philippines. As the full extent of Japanese ambitions became clear, Curtin published his landmark New Year article, announcing to a concerned Australian audience that its security now depended on Washington rather than London. He was immediately criticised by conservatives for turning his back on Britain, as Curtin put it, "free of any pangs as to our traditional links or kinship with the United Kingdom".

These were inflammatory words and Curtin immediately tried to allay the concern of his critics by assuring them that it did not mean a break with Britain. Despite his assurance, the article infuriated Churchill and other members of the British government who thereafter were more than content to leave the defence of Australia to the Americans. Not that they had much choice given their prior decision to concentrate their forces against Germany and Italy, rather than Japan, and to place the Pacific on the lowest rung of their priorities.

The stress of these cabled conflicts with Churchill took its toll on Curtin's health. Prone to bouts of depression, his colleagues found him unable to cope in late January 1942 and bundled him off to Perth for a rest as the defenders of Singapore prepared for the worst. Curtin was back at his desk in Canberra by the time that Singapore fell to the Japanese in mid-February. At Curtin's suggestion, two of the three divisions of Australian troops in the Middle East were being shipped back to meet the Japanese threat. It had not been intended by Churchill that they be sent to Australia. Initially, he wanted them sent to Singapore. Later, he suggested that they go to the Netherlands East Indies and then, as the Japanese thrust through Burma towards India, that one of the divisions be sent to Burma to buttress the crumbling British defences.

In fact, the fall of Burma was not something that could be prevented. There was little air cover for the British forces and the

Burmese labourers in the port of Rangoon had deserted in the face of Japanese air attacks. The Australian soldiers might have landed in time, but their equipment was largely stowed in slower ships that were some days behind the personnel ships. It was a hopeless cause and Curtin was right to reject suggestions by Churchill that the Australians be sacrificed to another of his questionable strategies. Undaunted, Churchill enlisted the help of Roosevelt to mount a two-pronged attack on Curtin, threatening that his refusal could mean the Americans refusing in turn to save Australia from the Japanese. Menzies was also pressing Curtin privately on the importance of using reinforcements from the Middle East “to hold the Burma Road and defend China”. At the same time, the chief of the Australian army, General Sturdee, was threatening to resign if Curtin did not resist the combined Anglo-American onslaught and insist that the troops be returned to defend Australia. When Churchill raised the ante by directing that the ships steam towards Rangoon, presuming that Curtin would cave in and agree, he faced perhaps the most difficult time of his career.

To his enduring credit, Curtin resisted the pressure from Churchill and Roosevelt and Menzies and instructed that the ships change course for Australia. The battle-hardened troops thereby became available later for the all-important defence of New Guinea. This act alone would justify Curtin being regarded as a national hero. Yet Kelly fails to mention it in his article, concentrating instead on Curtin’s “turning to America” article.

While Kelly acknowledges Curtin’s strengths – citing his “superb feel for Labor politics, a moral authority recognised by supporters and opponents alike, impressive media skills and an inner strength despite the depression” – he nevertheless concludes that “Curtin was a plain man, not a hero”. As if “plain men” cannot also, in the right circumstances, be heroes. It was, in fact, the apparent “plainness” of Curtin that provided much of his heroic stature and popular appeal. In one wartime newsreel, Curtin is shown walking down the garden path of his Cottesloe home, going through the gate and proceeding down the footpath. It was the picture of “a plain man” in all his suburban ordinariness. Yet the image was sufficiently stirring to bring servicemen to their feet applauding at an outdoor screening near Darwin. Curtin was Australia personified and it was that comforting image of suburban ordinariness that they were defending.

Of course, Curtin was much more than a plain man. He was very much a hero, at least according to the Macquarie Dictionary definition of a hero as “a man of distinguished courage or performance, admired for his noble qualities”. Curtin certainly surmounted his fears and his failings to provide “distinguished courage and performance” as prime minister and he exhibited noble qualities throughout his political

career. As Sir Paul Hasluck observed, Curtin was “a man who reached nobility through humility”.

It was this self-less devotion to duty, rather than ambition, that drove Curtin onwards in politics. When it seemed that he had lost his seat of Fremantle at the 1940 election, after having spent his time on the wider national fight, he was content to accept the verdict of his electorate rather than accept offers from at least two MPs who offered to stand aside in his favour. “I shall not chase my destiny,” declared Curtin, who submitted his resignation from the Labor leadership before the final tally was in. As the offer from his two colleagues indicated, his prospective absence from the parliament was viewed as a national tragedy. Billy Hughes certainly seemed to think so, despite being Curtin’s political opponent, observing that “no one could fail to recognize his sincerity, his ability and the fact that he had the confidence of the Labor Movement”. When the final count indicated that he had been returned, Curtin reassumed the burdens of leadership without complaint.

Later, when the burdens of being prime minister, of making decisions that could determine the life or death of his fellow citizens, wore away at his health and sent him into the depths of despair, Curtin’s closest colleagues protected and reassured him, gave him the space and time to recuperate and the strength to go on. It was a mark of the respect in which he was held that none made any serious attempt to dislodge him from the leadership, even in 1945 when he was often unable to function. Neither did Curtin ever resign from the leadership in the manner of his predecessor, James Scullin, although he knew the burden of it was killing him as surely as it had killed Joe Lyons. As he had told his old friend and mentor, Frank Anstey, in 1934, they were “standard bearers in a holy war and we must go on to the end and not yield while life is left to us”. A decade later, when Curtin suffered his first serious heart attack, he was urged by his secretary to resign but told her: “I know I could be a pensioner and live on, but that’s not my way of life.”

Neither was he driven by any thought of riches. As he told parliament after the death of Joe Lyons, it was right that Lyons had died relatively poor since, argued Curtin, it would impugn the “greatness and the honour of the office” if a prime minister, after a short term of office, was “able to say that he was richer after he left the office than he was when he first came to it”. While Curtin was wealthier when he died, after four years as prime minister and six years as opposition leader, his wealth came through the careful saving of his salary and it was saved mostly in the form of the war bonds that he was regularly exhorting his fellow citizens to purchase. There were no brown paper bags left in his office. He was a man who could not be tempted or threatened. He was not seduced by wealth; nor was he fearful of losing

office or power. As Ross Gollan observed in the *Sydney Morning Herald*, Curtin had no time for vested interests, despising “both the sordid intrigues of the Trades Hall and the machinations of powerful interests on the other side”. Or, as Curtin confided to a friend in Sydney towards the end of the war, the most important thing is “to live a decent straight keen life as near to Christ’s as humanly possible”.

Just before his first heart attack, Curtin complained to one of his oldest friends that he “was not trained to be a war lord. Yet fate pushed on to me at least the appearance of being one”. He worried that the job of being a war leader was changing him for the worse, that “all the hard things war is become part of the man who has war to deal with”. While we can sympathise with Curtin’s plight, all Australians should be thankful that he was available in 1941 and was able to surmount his personal failings and provide the heroic war leadership that was required in our time of greatest crisis.



Photo – David Karonidis

Peter Duncan

Corporate social responsibility – the notion that companies are themselves responsible for their impact on society – is rapidly becoming the new management evangelism. Ironically it is some of the world's biggest energy companies that are taking the lead in changing corporate behaviours and responding in profoundly different ways to contemporary societal expectations of business. To reflect on this and much more, Peter Duncan, Chairman and Chief Executive Officer of Shell Australia, addressed The Sydney Institute on Wednesday 29 March 2000.

CORPORATE SOCIAL

RESPONSIBILITY – A SHELL VIEW

Peter Duncan

Thank you for the opportunity to address the Institute.

Big business has been criticised as being overly concerned with profit and failing to take its broader responsibilities seriously. Such accusations reflect a shift in what society expects of companies. Increasingly, we are recognising that, to survive and prosper, business must look beyond short-term profit considerations. We must look to deliver against what has become known as the “triple bottom line” of economic, social and environmental performance as well.

This raises difficult questions about exactly what is – and is not – expected of business. Should it play a bigger role in society, by participating more actively in policy development and in the delivery of social services and infrastructure? How far should business go in pursuing these broader roles if they are at the expense of returns to shareholders in the short term?

Let me say that whilst I personally welcome the debate and happily participate in it, I believe there is a real risk of questions of sustainability diverging from economic reality. Companies are commercial, not social or political institutions. It is critical that the central focus of any business is on building shareholder wealth, but on a sustainable basis. That means acting fairly, within the legal framework, in a way that nurtures, supports and respects the natural and social fabric of the communities in which the business operates.

In my view, how we respond to society’s changing expectations is the major leadership challenge facing global business as we confront the myriad of issues before us. It will require business leadership of a different kind. It will require business to actively engage with a wider, more diverse group of stakeholders. And importantly it will require a greater willingness to listen, to understand and to discuss social and community issues, often with people who have very different points of view. We have learnt that it is essential in engagement processes to have “something on the table”. Engagement without the willingness to accommo-

date genuine and legitimate concerns put to us is meaningless. In fact, is increasingly likely to be rejected.

While the emerging debate about corporate social responsibility is, by its nature, international in character, I believe it is one in which Australia can actively engage and lead. Without question, Australia has something to offer the rest of the world in this area. This nation is justifiably proud of the transparency, independence, integrity and capacity of its institutions. The underlying strength of our political, judicial, media and market institutions, and our willingness to constantly examine and debate our institutional structure (some might say a little obsessively) provides a solid base for engaging in the international debate about the role of business in the community.

In this paper, I want to examine the drivers of the debate. I also want to give you some practical examples of how difficult these questions are, drawn from our own experience, and share with you some of the lessons we have learnt from being in the front line as a company in this debate.

And we have certainly been in the front line, for several reasons. First, because on occasions we have given communities cause for concern by some of our actions, not just in local markets, but on a global scale. It is fair to say that we have made mistakes – we are, after all, human. As one of the largest companies in the world, and with one of the most recognised global brands, it is not surprising that we are often a symbol for community unrest about the performance and power of big business. Add to that the fact that our business is largely focused on producing and marketing hazardous and finite commodities, often in environmentally and politically sensitive areas, and you have a potent combination of factors that has placed us front and centre in the debate on corporate social responsibility.

Many of you will, I know, recall the international outcry in the early to mid 1990s over Shell's alleged business practices in Nigeria and others may recall the international news coverage given to the Greenpeace campaign to prevent Shell's efforts to dispose of the redundant oil storage facility – the Brent Spar – in the Atlantic Ocean – also in the mid 1990s.

Time does not permit an analysis of either of these two issues, but they continue to raise reputational questions for our company globally and for Shell here in Australia. It is also fair to say that they were amongst the prime causes of a fundamental change in Shell's culture, in the way in which we interact with the world in which we operate.

In this respect, globalisation has very real consequences. What happens to one part of our business today can, and often does, impact on other parts of our business – sometimes on the other side of the world. It is not any longer enough to acknowledge that this is so; increasingly companies are needing to organise themselves in such a

way as to manage issues on a global scale and of course to communicate on a global scale.

Drivers of the corporate social responsibility debate

Why is it that the issue of corporate social responsibility or sustainable development is receiving increasing attention? The role of business, and the morality or ethics of multi-nationals is hardly new ground for public debate. I believe it is because there are a number of new forces which are altering the nature of this issue and bringing it to the fore. In particular, the increasing willingness of communities to form judgements and to exercise choice – itself a function of rising education, the spread of communications technology in the consumer market and increasing wealth. And the changing role of the private versus public sectors in modern economies is adding a new urgency.

It is conventional wisdom to say so, but it is possible to discern a growing mistrust of established authority, professions and social frameworks. For the most part, this is a healthy reflection of the increasing spread of education, creating a more informed community, better able and willing to critically analyse existing norms.

We are now in a world where people are withdrawing their trust from business and other institutions unless it can be demonstrated such faith is warranted. Shell characterises this as a move from a “trust me” to a “show me” world – with all the obvious implications for the way in which business must communicate and must be seen to communicate with its stakeholders.

The dramatic growth in influence of electronic communications and media have facilitated and reinforced this trend, by providing the means by which poor performance in one market (historically hidden from the world) is now communicated rapidly and graphically across the globe.

Increasingly, views formed as a result of consumer perceptions of company ethics, values, honesty and behaviour are translating into purchasing and investment decisions. Although wide variations exist, rising wealth is allowing consumer choice to be based increasingly on personal values, rather than need. In developed countries, there is the beginning of an emerging willingness to pay for goods and services that are “green”, or that are the products of a socially responsible company.

Of course, there is nothing new in observing that a section of the community is driven by personal values in making buying and investment decisions – commentators have been talking about consumer power for years, and from time to time consumer boycotts have been organised against specific companies, sometimes with great success.

Indeed one of the most successful boycotts of recent years was that against my own company in Germany a few years ago in connection with the Brent Spar to which I referred earlier. But the reality has

been that there has not been a significant, broad-based willingness to pay for cleaner – but more expensive – goods. That there are some emerging signals of change is certainly exercising minds in boardrooms across the world.

The liberalisation of markets has brought business into areas of the economy that are particularly sensitive, and thrown the spotlight on the role of business in the communities in which they operate. Witness the current debate here in Australia, for example, about the role of private providers in our prison system, the community service obligations of the telcos in our deregulating market, or the obligations of banks to maintain services to regional Australia. Shell, like its oil industry competitors, is not immune from the issue of service provision to regional Australia and the question of retail petrol price volatility and prices in regional Australia remains a dominant public policy issue for us to grapple with.

There is no question that finding answers to some of these questions will require creativity of thinking and policy development over the years to come. Government must work with the corporate and the non-government sectors as partners to unlock ideas that have as yet not even been contemplated.

The dilemmas facing business

Thus far, I have been rather abstract in my comments, which I think is too common and rather dangerous on this subject. For it is only until some concrete, practical examples of the dilemmas confronted by companies that the issue of corporate social responsibility actually takes shape. Let me focus on three examples from our business which draw out different aspects of this debate. These provide a basis for outlining some core directional principles to which I will turn in a moment.

The first example relates to an oil spill at our terminal here in Sydney Harbour last year. In August, a contracted tanker discharged some 300,000 litres of light crude oil from a sub-sea valve into Sydney Harbour. The story dominated domestic and even international news headlines in the days that followed as the clean-up progressed.

Aside from the obvious reputational issues at stake, the incident immediately presented Shell with a dilemma. We felt strongly that we were not legally liable for the spill, because we believed (correctly) that it was caused by an operational error on the contract vessel. With this in mind, it was tempting to protect our shareholders' interests by remaining non-committal about our role. Of course, this would have flown in the face of community expectation, and our own employees expectations. It happened at our terminal, we were shocked and embarrassed – and we wanted to fix the problem and do it quickly.

Within hours after the spill, Shell made a statement indicating that we felt ownership of the clean-up and a moral responsibility for

what had happened. We apologised to the people of Sydney and committed to do whatever was necessary to clean-up. The legal issues could wait.

As it turned out, the contract vessel owners admitted fault within 24 hours, and Shell's course of action was applauded. Management of this incident required a judgement call, and in all such cases a responsible company needs to balance the potential of exposure to liability against what the public rightly expects as acceptance of responsibility.

The second example relates to social investment in developing countries. Shell has a long history of operations in developing countries many with high rates of poverty and a lack of basic infrastructure.

Like many large companies, Shell has attempted to accompany its commercial activities with social investment in health, education or welfare. Previously, the prevailing view was that the best thing we could do was to invest in *physical infrastructure* – the building of hospitals or schools or power or water supply facilities. It is only relatively recently that the emphasis has switched to the need to invest in building so-called social capital. It is pointless, after all, to have physical assets in place if there is not the local skill base to use them and the legal and social institutions to leverage from them to address the root problem of poverty.

The insight is that it is not enough to be well-intentioned. Philanthropic effort must be *effective* and co-operatively determined if companies are to claim they are taking their social responsibilities seriously.

The third example relates to the difficult issue of climate change. My company takes the view that on the balance of evidence, the man-made greenhouse phenomenon presents a serious potential threat to the global environment and that some action now is warranted.

We support the Kyoto process, where developed countries have signed onto national targets, but we see it as the first step in a long road. However, the Kyoto agreement, which is yet to be ratified, is the product of a political negotiation process. It does not, for example, include developing countries in the framework of national targets. This presents a real problem for Australia. Unlike other developed countries we are a major energy and energy intensive exporter competing directly with Asian-based producers. Requiring local industries to cut emissions increases our costs and risks handing markets to operations that are less greenhouse-friendly in countries that do not share Australia's commitment on climate change. The result could be to exacerbate, rather than alleviate, the global problem.

The insight I want to share with you is that the "socially responsible" course of action is often not readily apparent, but to identify it always requires taking a very wide view of an issue.

Some directional principles

Those briefly stated examples provide something of an entree to a set of directional principles I would like to share with you. These are based on lessons we have learnt, sometimes painfully, over time.

(1) Make sure what you say matches what you do – internally and externally.

Nothing is likely to galvanise community protest and action against a company more than if it appears to hold double-standards. It will also undermine morale within an organisation amongst your employees. You cannot say for instance that you take safety seriously, and continue to have mishaps and incidents. You cannot say that you take corporate social responsibility seriously, and then not engage with the communities in which you operate. Winning the hearts and minds of employees as well as communities in this context is a central challenge for Shell Companies everywhere.

And no company should kid itself that it can keep poor environmental or social performance hidden from the public eye.

(2) Communicate – and listen

Too often companies take a “*Decide, Announce, Defend*” approach to their actions (including my own – but less, I think, in the recent past). But it is important that communities affected by decisions understand the reasons for the decision, and that community concerns are listened to and understood by companies and acted upon.

In the case of the Sydney Harbour oil spill, it was a critical advantage to us to have had a long history of engagement with our neighbours in the vicinity of the terminal. Generally speaking, the presence of the terminal is accepted at the community level and it is recognised that we are serious about trying to be good corporate citizens in the neighbourhood.

Such engagement is not achieved by hiring consultants to do it for you. It is achieved by opening a dialogue with the community, and across the company. Its success is predicated on the commitment and competence of your own management and employees to deliver on community expectation.

(3) Don't underestimate the effort

All this takes time and effort. It is surprisingly easy to avoid doing, particularly when there is often little short-term or sometimes even long-term quantifiable benefit to the bottom line.

It requires continuing management commitment, time and sometimes significant resources.

Shell, for example in 1996, undertook a world wide program of conversations with people to understand society's expectations of multinational companies, and another to explore the reputation, image and overall standing of the Group around the world. This involved nearly 9,000 people in 35 countries. It was a very substantial undertak-

ing – possibly the biggest corporate listening exercise in history – but very valuable. These exercises helped us to understand the gap between our performance and community expectations. It has provided the backdrop for some of our subsequent actions and ultimately the foundation for the publication of The Shell Report – of which we have copies here this evening. Dialogue on this continues apace on the web.

Concluding comments – some questions

Perhaps in keeping with the nature of this topic I would like to conclude by raising some important questions, rather than giving you definitive answers or conclusions.

First, what are implications of this emerging debate for government policy? You will note that I have framed the discussion about corporate social responsibility solely in terms of the inter-relationship between business, its customers and the communities in which they operate. But governments too, have a strong interest in this area, as indicated by the Prime Minister's "Community Business Partnerships" initiative, aimed at promoting collaboration between business and the community. Facilitating a more responsible attitude by businesses can lead to real benefits in terms of environmental outcomes, poverty alleviation, education and social cohesion. What, if anything, can governments do to promote a wider awareness among business of the need to meet community expectations?

Second, what does it mean for the non-government sector? The growing awareness of the need for business to make greater effort meet community expectations in environmental and social performance has what are perhaps obvious implications for the role of NGOs and their relationship with business. It should change the relationship from the adversarial to one where there are many opportunities for collaboration. For example, in relation to third-party accreditation of company performance and processes. I believe that for this to be achieved, NGOs themselves have to accept greater *openness* and *accountability* but that is a different story.

Third, what does it imply about the required skill base of management? To state the obvious, it is rather difficult to effectively engage with community, value diversity and meet community expectations if you have an insular, inward-looking technocratic culture. The people who succeed in such an environment and rise to the top of an organisation are unlikely to be well suited to the "new order" of corporate social responsibility. This is shifting the requisite skill set for business managers. This is challenging many people with whom I work, it's challenging me and I hope it's challenging many CEOs around the country.

The debate around corporate social responsibility has a lot further to go, both here and internationally. However, for a variety of reasons

we are entering a period where these issues will be receiving increased attention. As I said earlier in this paper, I do believe Australia has a major contribution to make to the debate and discussion on the role of business. There are already emerging some extraordinary examples of the manner in which companies are working in new and clever ways with the community. Balancing the on-going need for careful and meaningful relationship management against the thrust of business into e-commerce is one such challenge. It is providing the climate in which such creativity can flourish that provides – for me at least – one of the true pleasures and fascinations of business leadership.



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- 1. Joanna Nursey-Bray
- 2. Deirdre Mason, Geraldine Doogue
- 3. David Weisbrot, Gerard Henderson
- 4. Wolfgang Hoffmann, Shirley Johnston
- 5. Lynne Gallagher, Otto Roever
- 6. Nathaniel Webb, Matthew Deaner
- 7. Vivien Dunne, Derek Dunne

- 8. Tim Allen, Prue Allen
- 9. Michelle Evans, Alexis Evans
- 10. Maureen Horder, Tony Storey
- 11. James Galvin, Adam Cagliarini
- 12. Paul Gittings and guest

Photographer: David Karonidis



Photo – David Karonidis

Margaret Piper

Margaret Piper is Executive Director of the Refugee Council of Australia, a position that gives her a key role in the controversy over refugees seeking entry to Australia as boat people. At a time of increasing tension over the numbers and costs of refugees arriving as smuggled people, Margaret Piper addressed The Sydney Institute on Tuesday 4 April to discuss the vagaries of Australia's refugee policy. Challenging current hyperbole, often expressed in the media, about the gravity of the refugee problem, Margaret Piper suggested a more objective consideration was needed, of the very real tragedies all refugees face. She urged a more humanitarian approach to our global responsibilities.

AUSTRALIA'S

REFUGEE POLICY

Margaret Piper

A couple of weeks ago I was in a coffee shop in Glebe when the conversation prompted me to relate an incident from my distant past.

In the mid 1970s, some friends and I were doing volunteer work with an Aboriginal housing cooperative in the far south western corner of NSW near the South Australian border. Late one afternoon we were walking down the main street of the town. Walking towards us, some distance away, was an Aboriginal woman. An old utility came into view. The two white occupants spied the woman and started yelling offensive remarks at her. The ute then swerved towards her and for the next few minutes we watched in horror as the woman ran screaming this way and that, with the ute in hot pursuit. The chase ended suddenly; the woman pinned against a wall; dead.

As traumatic as that incident was, it was nothing in comparison to what happened over the following days. It was suggested to us by the police, in a none too subtle way, that it was best that we forgot everything we had seen. Threats were made in relation to the house we were building and to people in the Aboriginal community with whom we were working. White townsfolk, who up until that time had been very supportive, withdrew completely, leaving us to feel like lepers and giving weight to the threats that had been made to us.

In the absence of "witnesses", the driver was charged with negligent driving.

I was 18 years old. My friends were of a similar age. We had no idea what we could do to challenge what was happening and how we could do it without making things even worse for our Aboriginal friends.

The feelings of outrage and impotence I felt then have remained with me and to a significant extent have determined my life path. I carry with me too the recollection of the seemingly good and kind people of the town closing ranks to support "their own" against "the other".

It pains me to say that the feelings of outrage and impotence I felt then, have resurfaced on many occasions over the years.

One such occasion was in 1992, not long after I had begun in my current position. This was the time of the “Cambodian Boat People” – the other major “threat” we have experienced. An application to the Federal Court for the release of people who had been detained for 2½ years and whose decisions DIMA withdrew because they were flawed began a frightening spiral of litigation and legislation that went on for almost a year.

It began with legislation, introduced with indecent haste on the eve of the said court challenge, which effectively removed from the courts the right to order the release of any boat person from detention.

When this litigation was challenged, it was discovered that until that introduction of the legislation, the government had not had a legal right to detain. Action to claim compensation for 2½ years of illegal detention was countered with legislation that limited to \$1 per day any damages ... which in turn was countered by litigation challenging the right of government to limit damages. Played out in the sidelines were secondary dramas, such as that of the three women on hunger strikes which prompted the introduction of legislation requiring doctors to force feed in such situations – contrary to the Tokyo Convention.

Being in the middle of this spiral, and without the benefit of hindsight, was a very frightening experience. Every attempt to challenge injustice resulted in things becoming worse – not only for the people with whom we were working (and who at least had a say in whether issues should be pushed further) – but also for all other asylum seekers. We had no way of knowing just how far things would descend before the spiral stopped. It did stop – eventually – and for a time, my colleagues and I were able to work in an atmosphere where if we presented a sound legal and moral argument, we had a hope of being able to influence decision makers.

For a time thereafter, the feelings of outrage and impotence took on a global dimension. Events elsewhere inspired them – the genocide in Rwanda, the Santa Cruz massacre in East Timor, the unnecessary death of 5,000 children every month in Iraq¹ because of sanctions ... There have been times when I have stared these events in the face. One such occasion was my visit to Bosnia in August 1995 to interview the survivors of Srebrenica, a few short weeks after the UN had been powerless to stop the Bosnian Serbs taking away their husbands, brothers and sons, and long before the mass graves that confirmed their fate had been found.

For a human rights advocate – which is, in essence what I am as refugees, by definition, are victims of human rights abuses – in many ways it is easier to deal with such events. The scale of the atrocities far exceeds anything we encounter here but the perpetrators are “the other”. The dissociation that comes from being one step removed helps

one to focus clearly on what is achievable and to work in a systematic and objective way.

Would that it had remained thus. Regrettably the tide has turned and once again I find myself fighting battles on the home front, battles that challenge my sense of identity as an Australian and from which it is not possible to divorce myself intellectually or emotionally.

Much has been made in recent weeks – with good justification – of the issue of mandatory sentencing in the criminal justice system, and of the apparent attempts of the government to influence the United Nations Human Rights Commission advice on this issue. We have heard too of the efforts the government has been making to dissuade the UN Committee for the Elimination of Racial Discrimination from finding adversely against us.

There have been two schools of thought on this. One has adopted the notion of “who are they to tell us what we can do in our country”; the other – I would argue better informed – group has voiced serious concerns about a government of a Western democracy such as Australia showing such flagrant disrespect for the international human rights treaties that we participated in the drafting of, willingly acceded to and actively promoted to the “less developed” countries.

I find this debate deeply worrying on many fronts, not the least of them being the following three:

- First there is the extraordinary level of ignorance that exists amongst the Australian public about human rights and international law. I know it did not feature in my education and while I have taken steps to remedy this, it would appear that many of our political leaders have not. Take for instance remarks attributed to the Northern Territory’s Chief Minister in the *Sydney Morning Herald* on 28 February. After being reported as saying that he did not care if the United Nations Human Rights Commissioner found rights were being breached, he said “So what? I reckon people are gutless running off to the UN”;
- Then there is the issue of where the concerns of those who do know, and do care, rest. The moral indignation we have seen over mandatory sentencing is all well and good, but where have the same voices been on the issue of mandatory detention of unauthorised arrivals – or any one of a number of other matters concerning asylum seekers and refugees? We come back here to the notion of “the other”. Where the injustice is being committed against “one of us”², the press – and the public – are prepared to stand up and be counted. Where it is an outsider against whom we are committing the injustice, the shutters go up on all but a few lonely windows; and finally –
- It would seem that we have forgotten that one of the first laws of the new nation of Australia was the White Australia Policy. It

is salutary to reflect that 99 years on, there are many in our midst who have not moved on.

The brings me, in a rather circumlocutory way, to the main focus of my address: Australia's current refugee policy. After all, while much of the focus in the last week has been on international criticism of Australia's policies on Aborigines, the other area where we have been held to account by international human rights monitors³ is that of our treatment of refugees and asylum seekers.

Australia's refugee policy cannot, however, be seen in isolation. It is very much reflective of a whole of government approach which is, I suggest:

- driven by economic rationalism or, to use their terminology, "fiscal responsibility";
- heavily dictated by the popular press, in particular talk back radio and the tabloids;
- ignorant of one of the fundamental cornerstones of democracy, namely the doctrine of separation of powers;
- selectively contemptuous of international treaty obligations;
- based on the notion of what is best for the "common man" – and if you do not fit the stereotype, you pay the price;
- aware of the power of scapegoating; and
- highly egocentric, embodying the "if I'm all right Jack ..." principle.

To see how this works in relation to refugee policy, let us consider the following:

Economic rationalism:

This shows through in many ways. Here are but two:

- the numerical linking of the onshore and offshore refugee programs – ie the setting in advance of a total of number of refugees that can be assisted in any given year and if the numbers of asylum seekers granted refugee status in Australia exceeds the planning figure, the number of visas to be issued to refugees overseas is reduced. We are currently seeing the extreme application of this principle with the cessation of visa issue offshore only 7½ months into the program year because of the boat arrivals.⁴ The numerical linking has many deleterious side effects, not least of them being conflict within and between ethnic communities and the creation of a sizeable pull factor – ie: if it is not possible to "join the queues" overseas because visa processing has stopped, a refugee in need of protection is much more inclined to try his luck with people smugglers – the risks might be greater but the odds of securing the desired result are much better;

- the introduction of competitive tendering⁵ for the provision of settlement services to newly arrived humanitarian entrants: under the newly devised “Integrated Humanitarian Settlement Strategy”, agencies have been encouraged to submit tenders for one or more of a range of services. The results of this process are not yet known and it is far too early to comment on the results. What I can say at this time is that similar initiatives in other areas – such as employment services and language training – do not fill me with confidence that there will be a seamless transition to the Brave New World from 1 July 2000 and I have been very saddened by the breakdown of trust and collegiality in this sector during the tender process.

This being said, there are areas where the government has seemingly a bottomless purse if it suits the greater political purpose. Australia’s policy of mandatory, non-reviewable detention (ie the one that does not provide for the release of asylum seekers during the determination process, even if they are of no risk to the community) is currently costing us, the taxpayers, in excess of \$507,350 per day⁶ – over \$185million per year. Sadly – for the taxpayers and the detainees – there is no political will to change the current detention policy.

The role of the press

Nowhere is the issue of how the popular press has been allowed to dictate policy more apparent than in relation to the recent boat arrivals. Each time a new boat has appeared on the horizon, talk back radio hosts and tabloid journalists descended into a veritable frenzy of hyperbole that would leave all but the best informed members of the public convinced that Australia is under major threat. I recall all too clearly the arrival on the NSW coast of a boat of less than 100 people. Both Sunday tabloids ran with only one word on their front page. “INVADED”. Local radio stations issued warnings to report “Asians acting suspiciously”. Japanese tourists in the area at the time had a hard time and one official from the Department of Immigration of Asian background sent up to locate the boat people was apparently reported on three occasions.

We follow on to reports of the more recent arrivals from the Middle East. The terms “illegals”, “queue jumpers” and “rorsters” have been liberally sprinkled in stories about their arrival; so too have there been links to drug smuggling and other criminal acts.

All this is good sensational stuff. It sells papers and keeps ratings high. It is far more attractive to certain elements of the press than stories about the breakdown in protection in the region that is forcing these people to flee, the oppressive regimes from which they have fled, the fact that it is a fundamental human right to seek asylum, not to mention the fact that of all the people thus far processed from this

recent wave of boat arrivals, 100 per cent have been granted refugee status.

In many ways it is convenient for the government to allow the sensational stories to run and, in many instances, it is politicians who feed them⁷. The popular prejudices that led to the creation of One Nation are well known and can easily be exploited. In relation to the boat arrivals, all the government had to do was stand back and watch the press create a situation where the public believed we were under threat, and then they could step in with “tough new policies” which would win them points with the voters. And if human rights groups criticise these policies on the grounds that they run counter to our international legal obligations, the government has a convenient out, in that it can say it is “the will of the people”.

The Opposition too has allowed itself to be drawn down the same path. When advocates drew to their attention the many fundamental problems with the new provisions for temporary protection visas, they professed sympathy but said they were not going to support the Disallowance Motion before the Senate because of their reading of talk back radio and because of the number of similarly inspired calls received at constituency offices.

I, for one, find it sad that policy appears to be driven by the lowest common denominator and there is a frightening dearth of politicians, of any persuasion, who have the courage to show any moral leadership.

Separation of powers

Possibly it is because our schools have been so deficient in preparing us for living in a democratic society, that we find ourselves in a situation where so few people understand one of the fundamental principles of a democracy, namely the doctrine of Separation of Powers.⁸ This has allowed politicians to exploit this ignorance to push for more and more power to be vested in one arm of government – ie the politicians themselves – and taken away from another arm – the judiciary.

Pending legislation⁹ seeks to take away the right of appeal to both the Federal and High Courts from certain sections of the immigration jurisdiction. The government argues that the existence of administrative appeal provisions negates the need for judicial review.

Reference is not made in the government’s argument, however, to the fact that all other administrative appeal processes have appeal rights to the courts and that the right of appeal to the High Court is enshrined in the Australian Constitution. Also absent is the fact that if this legislation is passed, the only area of administrative law where there is no right of appeal is also the only area of administrative law where the consequences of a wrong decision can, without exaggeration, result in a person’s death.

Possibly in recognition of the problematic nature of this legislation, it is progressing slowly. Not so Migration Amendment Bill No 2 (2000), introduced in mid March, which precludes class actions in the immigration jurisdiction, thereby further fettering the rights of individuals to have their concerns raised before a court.

I suspect if more members of the public were aware of the significance of denying access to the courts, they would be far more alarmed than they have hitherto been. This alarm would rise even further if it was recognised what a dangerous precedent is being set and how much easier it will then be to introduce other laws, laws not targeting the “other” but denying us rights long taken for granted.

Selective interpretation of international treaty obligations

People will recall the speed with which the Prime Minister invoked “treaty obligations” to support his opposition to the establishment of safe injecting rooms in Sydney. The sad irony, as we all know, is that treaty obligations do not sit so neatly with government policy. They are dismissed, denied or pilloried.

We have seen many instances of this in relation to refugees and asylum seekers, including:

- the response of the government to the adverse opinions of the UN Human Rights Committee in the case *A versus Australia*. In 1998, the Committee found Australia to be in breach of three articles of the International Covenant on Civil and Political Rights in relation to the detention of Mr A, a Cambodian asylum seeker. The government responded by saying that it “did not agree with the opinion”;
- the failure of the government to give serious consideration to changing its policy of mandatory, non-reviewable detention in the light not only of the *A versus Australia* case, but similar findings from the Human Rights and Equal Opportunity Commission¹⁰, Amnesty International and other bodies that this policy is in breach of various treaty obligations;
- the recent introduction of temporary protection provisions for people found to be Convention refugees that not only depart radically from internationally accepted notions of the use of temporary protection but also result in recipients being denied rights to which their status as Convention refugees entitles them.¹¹

“Paying for transgressions”

Society has a tendency to “blame” people for their misfortunes. Collective sympathy is waning for single mothers, the unemployed ... even the old. There is no longer a view that those who need help

should be helped. Instead, the welfare net is shrinking and the holes are getting larger.

Asylum seekers are yet another group deemed unworthy of assistance. “We did not invite them to come to this country” therefore we owe them nothing.

Asylum seekers in the community who often have to wait in excess of a year for a decision have minimal access to support. They are not eligible for any social security payments and some¹² are denied permission to work and access to Medicare. Even permission to work can be meaningless if you are a Somali woman with no English and six young children. Mainstream charities and the churches are once again expected to pick up the burden.

For the minority of asylum seekers who arrive without documentation, detention is justified on the basis that they have arrived without permission to enter Australia. The view is espoused that they “deserve” this treatment, despite the reality that many refugees fleeing oppressive regimes are unable to obtain valid travel documents and/or travel through conventional channels. The very high rate of status determination for those in detention (usually around 75 per cent and now much higher) would suggest that we are in fact penalising people who do have valid claims on our protection, and in violation of Article 31 of the Refugee Convention that stipulates that a State should not penalise a refugee on the basis of unlawful entry.

Undocumented arrivals now have to pay an additional price. If found to be refugees they are granted temporary rather than permanent visas, as “punishment” for the “illegal” entry. Reference has already been made to the many problems with these visas. It is important to note too the trauma they impose on those granted them: the preclusion of family reunion, the lack of access to most support services and the additional three years of life in limbo for people who have been found to be refugees.

Each of these policies causes so much pain. The sad and shameful reality is that the people who are suffering the pain are, in most instances, people who have already been to hell and back and who have come to Australia in the belief that here they will find protection and help.

Scapegoating

Following on from the above, once a situation has been created where people are deemed to be unworthy of assistance, the next step is to allow them to be blamed for all of society’s ills. In the case of refugees they are variously blamed for “taking our jobs” and “sponging off the public purse” – the obvious contradiction here being lost on many. Boat people are even better scapegoats – their arrival is so public, their reasons for coming so obscured – they can be blamed for all manner of

things – even as Western Australian Senator Lightfoot would have it, threatening our democratic principles with “their prejudices and intolerances”¹³.

I do concede that the government has been under considerable pressure in the press of late over issues to do with refugees – and even greater pressure on indigenous issues. I have a sneaking suspicion, however, that it is not as unpalatable to them as one might think. Not only would they be convinced that the recent debate would have drawn back into their fold many of the people who had strayed in the direction of One Nation, but it has also taken attention away from a far less palatable issue. For every column inch devoted to mandatory sentencing, boat arrivals and welfare issues, it means less attention on the issue they are really concerned about – the GST.

“If I’m all right Jack ...”

Because refugees are outside the life experience of the majority of Australians, they can allow themselves to be manipulated into variously feeling sympathy for refugees (as they did when the Kosovars and East Timorese were coming) or outrage (at the boat arrivals). Most do not recognise the inconsistency of their approach. Further, few are able to make the connection with their common humanity with those against whom injustices are being committed. Far too many people feel, I fear, a sense that they have a God given right to the peace and security this country affords to most, and by extension a God given right to protect this at all costs.

Here I return to my story of the western NSW town. Twenty five years later, Australia is playing out on a much larger stage the same events I saw there. Those in positions of power and influence argue that they are justified in doing everything possible to remove perceived threats, irrespective of how many rules have to be broken on the way. It was not right then and it is not right now. What saddens me further is that 25 years of wisdom and experience have made it no less difficult to fight the battles that deserve to be fought.

In closing, I would like to make reference to a much used but very apt quote from a Dutch victim of the Nazis during World War II:

*First they came for the Jews and I did not speak out
because I was not a Jew.*

*Then they came for the Communists and I did not speak out –
because I was not a Communist.*

*Then they came for the trade unionists and I did not speak out –
because I was not a trade unionist.*

*Then they came for me – and there was no one left to speak out for
me.¹⁴*

It will only be when there is widespread recognition of our common humanity, and the impact its denial has on society as a whole, that this society can truly claim to have come of age.

Endnotes

- 1 Figure from UNICEF.
- 2 Accepting the extreme selectivity with which this society decides who constitutes “one of us”.
- 3 Various aspects of Australia’s treatment of refugees have been criticised by a number of groups including the UN Human Rights Committee, Amnesty International and the US State Department, as well as by the Human Rights and Equal Opportunity Commission (HREOC).
- 4 The Refugee Council has prepared a discussion paper on Australia’s response to the Boat Arrivals that expands on this issue and many other related issues. This paper is available from the Refugee Council.
- 5 The Department of Immigration and Multicultural Affairs changed the terminology from “request for tender” to “request for proposal” during the process. The change of terminology reflected some differences to process but none that are relevant in this context.
- 6 Based on a conservative estimate of \$139 per person per day, for the number of people in immigration detention on 8th March, 2000 (3,650).
- 7 In a press release dated 10 January 2000, WA Senator Ross Lightfoot “variously described the illegal arrivals as queue-jumpers, criminals and law breakers as well as possible carriers of communicable disease”. The release then went on to say “several of our callers have questioned the morality of the male refugees for abandoning their wives and children in their poverty stricken war-torn countries and for using their families life savings to escape to a life of comparative comfort”.
- 8 In a Western democracy such as Australia, there are three arms of government: the politicians, the judiciary and the executive. Each is intended to act as a check and balance against the others to ensure the appropriate application of power.
- 9 The Migration Legislation (Judicial Review) Bill.
- 10 See HREOC Report: *Those Who Have Come Across the Seas: Detention of Unauthorised Arrivals*. 1998.
- 11 See RCOA Discussion Paper on Australia’s Response the 1999-2000 Boat Arrivals.
- 12 This applies to people who lodge an application after having been in the country for more than 45 days.
- 13 Aforementioned Media Release of 10 January 2000.
- 14 Attributed to Paster Niemoeller (victim of the Nazis).



Photo – David Karonidis

Helen Nugent

The Major Performing Arts Inquiry chaired by Helen Nugent produced the Nugent Report which was presented to the Minister for the Arts, Senator Richard Alston, in December 1999. The Report made significant recommendations including a new funding model, changes to Arts Companies finance dynamics, the setting up of a Major Performing Arts Board and a strategy for companies to invest in new works and productions. Helen Nugent addressed The Sydney Institute on Wednesday 12 April 2000 to outline some of the lessons learned from the Inquiry.

LESSONS FROM

THE MAJOR PERFORMING ARTS INQUIRY

Helen Nugent

It is a privilege to be speaking to the Sydney Institute tonight on a subject about which I care passionately: that is the Arts, and more specifically tonight, the major performing Arts.

I feel honoured to have been asked by Senator Richard Alston to Chair the Major Performing Arts Inquiry and to have had the opportunity to work with my fellow Inquiry members, namely Michael Chaney, David Gonski and Cathy Walter.

Australia's largest 31 companies were included in the Inquiry's Terms of Reference. In the case of Sydney, eleven companies were covered: five in music, namely the Australian Chamber Orchestra, Musica Viva, the Sydney Symphony Orchestra, Symphony Australia and the Australian Opera and Ballet Orchestra; three in theatre being Bell Shakespeare, Company B and the Sydney Theatre Company; two in dance – Sydney Dance Company and Bangarra; and one in opera, namely Opera Australia. Also included were six companies in Victoria, five in Queensland, four each from Western Australia and South Australia and one from Tasmania.

These companies make a disproportionate contribution to Australian life. While they represent only 17 per cent of the companies in the subsidised performing Arts sector, they account for 71 per cent of the paid attendances, 79 per cent of the earned income and 86 per cent of the employment. They receive 49 per cent of the government funding. They put on over 4000 performances per year, that is 11 performances each day, every day of the year. They attract around 3.5 million paid attendees each year. 47 per cent of the paid capital city mainstage attendees are from Sydney, 31 per cent from Melbourne, 8 per cent from Brisbane and 6 and 5 per cent respectively from Adelaide and Perth.

The companies tour extensively. Seventeen of the companies tour to capitals other than their own, with 22 touring regionally, including within their own state. All state capitals have access to at least nine of the companies. Regional Australia has access to seasons of performances

broadly in line with their proportion of the population. Most importantly, these companies play a vital role in helping Australia make the transition from a smokestack to an information economy. They do this in two main ways. First, they do it by encouraging greater creativity in our society, particularly through the education system. In an information age, imagination and creativity are increasingly at a premium, in a way that historically was not the case. Australia's major performing Arts companies have significant education programs that support our educators to encourage these attributes in our young people.

Second, these companies play a vital role in building Australia's image as a creative and innovative country. In an information age, selling high tech goods and services abroad is critical to Australia's future. Australia's major performing Arts companies help build Australia's image as a clever country by touring abroad and through the messages they send to tourists who visit our shores. This is a vital message, the power of which we should not underestimate.

At the risk of sloganeering: Good Art is Good Business for Australia.

Making this observation about the 31 major performing Arts companies is in no way meant to detract from the important role played by smaller companies. Companies like the Brandenburg Orchestra, Chunky Move, Expressions, Dance North, NORPA and the Griffin Theatre, that did not fall within the scope of the Inquiry, all play an enormously important role in Australian life.

But the Federal government made the decision to focus on the 31 companies that generate an annual income of over \$1 million a year. In so doing, they undoubtedly took the view that by understanding the challenges facing the 31 major companies, some light would be shed on the issues facing other parts of the performing Arts.

So my comments this evening are confined to my experiences based on chairing the Major Performing Arts Inquiry, which covers only the 31 major companies. My topic is not specifically the Inquiry – although I will refer to it throughout my speech and would be happy to answer questions. Rather, I would like to address a few of the myths that abound about the Arts in Australia, and specifically the major performing Arts.

We started the Inquiry with a commitment to a fact-based, rigorous and consultative approach to dealing with the issues facing the companies. It is this approach that has allowed us to challenge some of the hoary old chestnuts that continually get dragged out of the cupboard as being age old wisdom about the Arts in this country. More specifically, there are five myths about the major performing Arts that I would like to challenge tonight.

Myth Number 1: The Arts are poorly managed.

The view that the financial problems of the major performing Arts companies are caused by poor management is widely held. The Inquiry was repeatedly presented with this view when we started our work. And it is not surprising.

The key issue with which we were dealing was the financial health of the companies. Between 1992 and 1998, excluding the orchestras, the companies lost \$13.9 million. Including the orchestras, between 1996 and 1999, the 31 companies lost \$13 million. Between 40 and 60 per cent of the companies lost money every year. This might not seem like a huge amount of money in absolute dollars, but it is large relative to the reserves held by the companies.

At the end of 1999, the net assets of the companies is projected to be \$9.7 million. However, eleven companies have negative net assets, with a further ten companies having net assets that, while positive, are still less than \$500,000. In other words, only ten companies have reserves greater than \$500,000 on which to fall back in times of financial adversity. The situation is serious and getting worse. So part of the Inquiry's brief was to ascertain the reason for those ongoing losses and to recommend actions to address the situation. Indeed, the Inquiry's Terms of Reference required that we make recommendations to ensure the company's financial viability, their artistic vibrancy and their accessibility.

This was the background against which we were being told that the cause of the companies' losses was poor management. We, therefore, made a significant effort to probe the reason for the losses.

And I can unequivocally state that the explanation does not lie in the management of the companies. Quite the contrary. Relative to the companies' resources, they are well managed. Their staff are hugely dedicated and very skilled in the management of what is a complex and highly risky business. Sure – there are occasional exceptions. But, in general, the Inquiry had nothing but praise for the quality of the companies' management.

Rather, the financial difficulties being experienced by the major performing Arts companies are no different from those confronting other parts of the economy. These companies are being hit by the forces of globalisation, technology shifts and demographic changes in the same way as other sectors of the economy, such as retailing, banking and manufacturing, are being affected. It is these forces that are driving up their costs and depressing revenues. Let me explain how this is occurring.

In the period from 1992 to 1998, the companies' costs rose at 5.1 per cent per annum, while earned income increased at 4.1 per cent per annum. This disparity in the rate of growth in costs relative to income was the case particularly for the companies based in Queensland,

Western Australia and South Australia, where in many instances earned income declined while costs rose.

Let's look first at the factors driving the rate of growth in costs. Audience expectations for the quality of what they want to see on stage have increased. They listen to high quality CDs or view the wonder of DVDs and are able to experience world class performances in their own living rooms. Audiences travel extensively and have access to the Chicago or Berlin Symphony Orchestra. They see on stage the gee-whiz technology of sets such as those of *Phantom of the Opera* or *Cats* and say why can't our subsidised performing Arts theatres provide that kind of quality?

I recently saw the Dutch opera, *Writing to Vermeer*, which opened the Adelaide Festival. Here you had one of the most elaborate sets I have seen anywhere in the world, complete with falling rain. Eight thousand Australians saw four performances. You had better believe that audience expectations for the staging of opera in this country will have been raised by that experience. These factors all drive up the production and artistic costs of staging performances.

Equally, Australia's best artists have a real choice of whether they perform in Australia or overseas. There is a global marketplace for artists. And if we want the best Australian artists to perform in Australia, we have to pay something approximating the salaries that artists can command in a global marketplace. As a result, artists' salaries are rising – albeit off a low base. Compensation for Australia's leading artists is meagre compared to top performers in other parts of the economy.

Marketing costs are rising because the competition to attract audiences is more intense. Presenters of international artistic product have raised the bar on the quality of marketing. Local companies have had to respond. These are just some of the global, demographic and technology factors that are driving up costs. And the reason they are so significant is that in the performing Arts – particularly for artists' costs – there are no productivity gains to offset the impact of rising costs. It takes as long today to rehearse and perform Beethoven's Fifth as it did 100 years ago. Equally, globalisation, technology and demographic factors have depressed revenue. International presenters offer greater audience choice. Substitute products – such as CDs and DVDs – offer a musical experience at a lower cost. As a result, prices have been held down.

This is particularly the case in the capital cities outside Sydney. For instance, the average price of an opera ticket in Melbourne is 79 per cent that of Sydney, while Brisbane is 60 per cent. The Australian Ballet commands an average of \$53 for a ticket in Sydney, but only \$46 in Melbourne or Brisbane; while the ticket prices for the state theatre companies in Adelaide, Melbourne and Brisbane vary between 69 per

cent and 75 per cent that of Sydney. Unfortunately for companies performing in cities other than Sydney, the differences in costs are far smaller than the differences in ticket prices. A key focus of the recommendations of the Major Performing Arts Inquiry has, therefore, been to recommend actions to stabilise the companies and to change their cost-revenue dynamics so that revenue will rise at a rate faster than costs.

So to summarise the situation in respect of Myth Number 1. The financial challenges facing the companies are not due to poor management. Rather, it results from globalisation and technology and demographic shifts that are adversely impacting the major performing Arts in the same way as other parts of the economy. Action is urgently required to address this situation.

Myth Number 2: Unlike the smaller companies, the major companies are artistically moribund.

When the Inquiry started out, we were repeatedly told that smaller companies did all the interesting work and that the major companies only did boring classical works. In a systematic way, we set out to understand the facts. And what we found was very different from the common perception. Fifty per cent of the works being performed in theatre and dance by the major companies are Australian in origin. In music it is 10 per cent. At least half of those Australian works are new. More broadly, we found that 51 per cent of the works undertaken by all companies were 20th Century works, with almost half having been developed in the past twenty years. In addition, between 49 and 60 per cent of productions in theatre, opera and dance were new productions in each year.

Finally, an analysis of the degree of audience challenge in the works being performed showed that approximately a third of the works were very challenging, while, with the remainder, a balance was struck between popular and moderately challenging works. This was true for both 1997 and 1998.

In other words, contrary to the myth, the companies show a commitment to developing distinctively Australian product and to putting on new and diverse repertoire with an appropriate balance between popular and challenging works. In other words, the myth was just that – a myth. The companies are artistically vibrant and do much more than just classical works.

However, some highly worrying trends exist.

Because of the financial challenges facing the companies, the degree of artistic vibrancy is reducing. Fewer new works are being produced. Between 1997 and 1998, the number declined from 50 to 32. Fewer new productions are being put on stage, with the number declining from 60 per cent to 49 per cent between 1997 and 1998.

Ensemble sizes are being reduced, with all ballet companies reducing the size of their ensemble by 14 per cent between 1992 and 1998. Less experienced artists are being used in productions in an effort to cut costs. The size of works is being reduced. For instance, between 1992 and 1998, the Queensland Theatre Company cut the average size of its cast by 30 per cent.

These are significant developments that, while financially responsible in the short run, threaten the very core of the artistic life-blood of the companies over the long term.

The Inquiry has recommended a range of initiatives aimed at ensuring the companies' ongoing artistic vibrancy. Clearly, reducing the pressure on the companies by improving their financial position is one part of that equation. But it is not enough. In the same way that an investment in research and development is essential for consumer goods companies, a continued investment in new works and new productions is absolutely essential to the ongoing artistic vibrancy of Australia's major companies.

Myth Number 3: The major performing Arts attract only an elite

The assertion that the Arts – particularly the major performing Arts – only attract an elite was particularly worrying and potentially could have had major implications for the Inquiry's eventual recommendations. So again, getting the facts was very important.

It was relatively easy to ascertain attendance numbers. We know that the 31 companies attract paid attendances of around 3.5 million people. Nationally, theatre and music attract the largest percentage of attendees with roughly 37 per cent each, while opera stands at 18 per cent and dance at 16 per cent. In Sydney, the distribution is somewhat different. Theatre attracts roughly 35 per cent of audiences, music 28 per cent, opera 22 per cent and dance 15 per cent. In other words, opera receives a higher proportion of attendees than in other states. But this does not answer head on the question of whether these companies attract only the so-called elite.

So we undertook a post code analysis of subscribers for that allegedly most elite of artforms – opera – to answer that question. Opera Queensland initially assisted with that analysis. And the results were as follows.

Attendees from Hamilton, Clayfield and Ascot – the suburbs that are usually dubbed “elite” – account for only about five per cent of Opera Queensland's subscribers. The largest single group is from Brisbane's western suburbs – St. Lucia, Kenmore and Moggill – but even then it represents no more than 12 per cent of subscribers. Instead, Opera Queensland's subscriber base is extraordinarily widely distributed not just across Brisbane, but to areas as far afield as

Toowoomba and beyond. A somewhat similar analysis for Opera Australia for both Sydney and Melbourne also shows a wide spread in the geographic distribution of attendees.

It is simply a myth that only an elite attend the major performing Arts. Having said that, no one would deny that broader participation should be further encouraged in all states, particularly in Queensland, Western Australia and South Australia. Brisbane and Adelaide's participation rates are around 14 per cent while Perth's is only 11 per cent. This contrasts with Melbourne's which is 26 per cent and Sydney's which is the highest at 34 per cent.

One of the major thrusts of the recommendations of the Major Performing Arts Inquiry has been to recommend measures to encourage broader socio-demographic, age and gender participation. In addition, ongoing regional access is essential.

Myth Number 4: The companies are highly dependent on government for funding

When the Inquiry examined the sources of income for the companies it became clear – particularly for the larger Sydney and Melbourne based companies – that governments provide a relatively low per cent of income. Rather, ticket sales provide the largest single source of funds. For instance, box office provides around 76 per cent of the Sydney and Melbourne Theatre Companies' income compared to 13 per cent from governments. Opera Australia generates 57 per cent of its income from the box office, compared to 27 per cent from government, and The Australian Ballet generates 55 per cent of its income from audiences, while receiving 17 per cent from governments.

In large measure, this is occurring because these companies are the most performed companies in the world. Each of them puts on more performances per year than their international peers. The Australian Opera puts on more performances than The Met or The English National Opera. The Australian Ballet puts on more performances than the American Ballet Theatre, the Royal Ballet or the English National Ballet. And the Sydney Theatre Company puts on more performances than the Royal National Theatre in London. In turn, all of these Australian companies generate more income from the box office than any of their international peers.

Australia's major performing Arts companies based in Brisbane, Adelaide and Perth generate a lower amount of their income from the box office than their Sydney and Melbourne peers and are more dependent on governments for funding. Nonetheless, compared to most comparable international peers, particularly in Europe, they are less reliant on governments for funding.

The funding model that the Inquiry has recommended for consideration by government recognises the need for additional funds to

stabilise the companies financially. To this end, an immediate increase in ongoing funding of \$8 million (or about 10 per cent) has been recommended. Equally, in proposing a new five step funding model, the Inquiry has recognised the need for what is termed a “geographic adjustment factor” that explicitly recognises the greater degree of difficulty in generating box office and private sector income in Brisbane, Adelaide, Perth and Hobart.

The way in which the funding model would operate can be demonstrated by looking at the Queensland based companies. It is recommended that over and above a common artform funding ratio, a geographic adjustment factor should apply. The result is a proposal that the Federal and State governments should fund 53 per cent of the costs of the QTC compared to 13 per cent for the STC; 52 per cent of the costs of the Queensland Ballet versus 20 per cent for The Australian Ballet; Opera Queensland should be 50 per cent as opposed to 25 per cent for Opera Australia; and that the combined Queensland orchestras should be 64 per cent versus 50 per cent in Sydney.

Myth Number 5: The Arts can't agree on anything

Whenever the Arts is discussed, it seems that this hoary chestnut is trotted out. Yet my experience with the Major Performing Arts Inquiry has been very much to the contrary.

From the outset, the 31 major companies agreed that something needed to be done to address the predicament they faced: that of financial pressures that were progressively eroding their artistic vibrancy and their ability to provide ongoing access. It was the companies, acting in concert with the Cultural Ministers' Council and the Australia Council, that urged the Federal Government to take the initiative that resulted in the Inquiry.

In the period from February to August, the companies worked closely with the Inquiry to produce a fact base that would reveal the contribution the companies made and the challenges they faced. When the Inquiry issued its Discussion Paper in August 1999, it received widespread support from the companies. One newspaper headline – “Companies Applaud Report” certainly challenges the usual image of the Arts divided among themselves. The Final Report was issued in December and despite some difficult issues – including seven proposals for greater artform and geographic cooperation among companies – by and large the Report has been well supported publicly and privately by the companies. That does not mean there have not been issues. There have – particularly in Victoria and Queensland. But for the most part those issues have been very specific and most companies, even where some issues might be debated, have welcomed the bulk of the Inquiry's findings. That is a far cry from the common perception that the Arts cannot agree on anything.

My personal experience is that the companies have been extraordinarily supportive and extremely professional in the way they have gone about their interactions with the Inquiry. I congratulate them on how they have handled themselves in what, undoubtedly, has been a period of great uncertainty.

* * * *

So in summary, contrary to the myths that permeate the Arts, my perceptions are as follows: the companies are well run, they are innovative and draw audiences from diverse backgrounds, with, overall, box office being their most important source of income. Finally, but far from least, the companies are run by professionals who are able to work through even the most difficult of issues in a highly professional way.

These companies make a major contribution to Australia, not just to our cultural life but to the image Australia projects to the rest of the world as a vibrant, innovative and clever country. It is to be hoped that governments will see their way clear to help ensure that their future is secured and that they can continue to make that contribution. As I said before: "Good Art is Good Business for Australia".



Photo – David Karonidis

Kim Beazley

The introduction of the Goods and Services Tax and the proposed full sale of Telstra was the economic touchstone of response for many individuals in parliamentary debates in the first half of 2000. To Labor leader Kim Beazley's, such a response is a new orthodoxy. In an address to The Sydney Institute on Thursday 13 April 2000, Kim Beazley put the case against the GST and the sale of Telstra and also outlined the need, in his view, for a new approach to Federal/State relations.

LABOR'S CASE

AGAINST THE GST AND SALE OF TELSTRA

Kim Beazley

It is always a pleasure to address the Sydney Institute.

I'd like to begin tonight by paying tribute to Gerard and Anne Henderson who have established the Institute as a first class forum for economic and political debate in this country. The Institute celebrated its tenth year last year – and I want to wish the tireless Gerard and Anne all the best for a second decade. Tonight I want to talk to you about the future, about the really big debates that matter for our entire society. I want to talk to you about how we best position ourselves as a nation to take advantage of the huge scientific and technological changes we are facing now – and those just over the horizon.

I want to examine closely the question of how we should best go about the task of winning our rightful place among the world's best knowledge economies. The answer to these questions must assume a driving, active, nation-building government that has the power and the will to forge change in this country.

Before the Howard Government came to power we had the foundations from which to launch the new economic agenda in which we believe so passionately. We were making progress on research and development funding, on education, and on labour market programs to retrain our workforce. But after the 1996 election, the Howard Government shaved nearly \$3 billion from education; made cuts of nearly \$2 billion to labour market programs; and cut more than \$2 billion from innovation incentives to modernise our industries.

Having convinced commentators that a new tax system was more important than nation-building, the government is now engaged in spending around \$20 billion of the Budget surplus over three years in an attempt to compensate for the GST. And from the Coalition which tries to pass itself off as the better economic managers, we find this week it has punched another billion dollar hole in the Budget. The government has had to find another \$500 million in an attempt to keep the differential between city and country petrol prices where it is now. And last night they have shown they are going soft on tax avoidance,

with another \$500 million backdown over individual contractors' tax responsibilities. I don't think the Commonwealth Budget can stand many more weeks of that style of Coalition fiscal management!

In Labor's view – and we are not alone of course – this tax is robbing the country of the opportunity to gear up Australia into a knowledge economy, to what I like to call the Knowledge Nation. And all this is being done simply in order to pay for a change to the tax mix, a change that has for so long been an ideological obsession of the Prime Minister.

Most commentators seem to have bought the government's argument that the GST will be good for the economy. Hand in hand with this argument goes the government's dogmatic assertion that the privatisation of Telstra is a substitute for a proper infrastructure program, but I will come to that later. One of our major concerns about the GST is that it is time and money wasted. It is robbing us of the opportunity to pursue more important policies – policies to create a first-rate education and research network, to wire up Australia for on-line technologies, to create a highly skilled, highly-paid workforce.

There are solid, intellectually credible arguments against the GST, and these arguments should receive more consideration than they have throughout the tax debate.

Firstly, I want to draw your attention to the way in which the new tax system makes the most profound change in Commonwealth/State financial relations since the Commonwealth's acquisition of uniform taxation powers in the Second World War. This issue goes to the very heart of government service delivery. It goes to the heart of an agenda of some 30 years' standing in which, through Special Purpose Payments, the Commonwealth has jointly with the States laid the fundamentals for national programs for equity and social justice. We will see the Commonwealth progressively abrogating responsibility for health, education, aged care, transport, and community services – eventually everything except pensions, defence and foreign affairs.

With only a few months to go until the Centenary of Federation – that great defining moment when States gave up their independence to build a nation – the Howard Federal Government plans to walk away from its role in vital national programs. The Commonwealth will vacate the field on the most crucial policies affecting the future of this nation and its people.

Under the new tax system, the Commonwealth will abolish its wholesale sales tax and eventually the system of Financial Assistance Grants, or untied grants. The States in return will give up a series of indirect taxes and will gain GST revenue worth in the first year about \$27 billion. The Commonwealth will be passing more and more responsibility onto the States. The States will be increasingly forced to

respond at the level of the lowest common denominator – the cheapest possible service.

Currently, the Commonwealth provides around \$17 billion a year in Special Purpose Payments, or tied grants. Within this funding are, to name just a few, major education programs, the Commonwealth contribution to aged care funding, the Commonwealth-State Housing Agreement, other Australian health care agreements, and the Supported Accommodation Assistance Program. The Howard Government has admitted these programs are under the gun. Peter Slipper, Parliamentary Secretary to the Minister for Finance, let the cat out of the bag when he said:

Of course you need a reduction in specific purpose payments and there will be a removal of Commonwealth funding of some health, education and community services, because we are passing the [GST] revenue through to the States.

Instead of simply vacating the field, like John Howard's coalition, we need to retain the Federal role of leadership and persuasion of State colleagues in a range of reform measures, and government programs.

Labor Federal governments have always operated in partnership with State, Territory and Local Governments. When we regain government, the Australian Labor Party is committed to restoring national objectives, and shoring up the central role of the Commonwealth in the Australian Federation. We want to work cooperatively with the States, to share ideas, to energise each other, to cut duplication and waste, and encourage innovation. One way we will do this is to revive and reinvigorate the currently moribund process of Commonwealth, State, Territory and Local Governments meetings, commonly known as COAG.

Labor is thoroughly committed to COAG. As a measure of our commitment, the Department of Prime Minister and Cabinet will be directed to make the reinvigoration of COAG one of its highest priorities. In the past, Labor governments through the COAG process provided national leadership on vital improvements of physical infrastructure – for example, the development of national electricity and gas grids. Currently, the COAG meets less often than the European Council! German heads of government meet every two or three months. But our COAG meets at the whim of the Prime Minister, on an ad hoc basis. Under the Howard Government, this important forum for cooperative national policies has become virtually irrelevant.

A renewed COAG will allow Australia's political leaders to forge the Knowledge Nation – something which cannot be done by the Commonwealth acting alone, given the important responsibilities the States and Territories have in training and education. A partnership of governments through COAG is needed so that the benefits of the information revolution are shared. We must improve our pre-schools, our schools, our Technical and Further Education programs, and the

teaching and research in our universities. We must remove the barriers to high-grade telecommunications systems and on-line services around the country.

This will be as important to the future of Australia as the debates over a shared railway gauge were to our past.

Using the COAG cooperative approach, we are determined to align schooling across the States so that the increasingly mobile workforce is not handicapped with disruption to children's education. We will forge ahead with a national literacy and numeracy plan, including testing, information for parents, and targeted intervention to address learning problems at an early stage. We will introduce Teacher Development Contracts and Teacher Excellence scholarships to increase the education of our vital teaching staff. We want to encourage more students to finish school and to obtain post-school qualifications. Labor will strive to ensure that by 2010, nine out of 10 young people leave their teens with a Year 12 equivalent qualification, and that all young Australians achieve some sort of formal education or training qualification.

The cooperative COAG approach will also rule our strategies for regional development and the delivery of regional government services. It will also govern the way we face up to the national challenges posed by soil degradation, salinity and other pressing environmental problems. More and more, we are hearing of fascinating new approaches to the elimination of poverty involving local community initiatives, responsibility and leadership. What is necessary in all of this, of course, is Federal, State and Local government cooperation such as we will see under COAG. In government, that is exactly what we plan to deliver.

The Howard Government's obsession with the GST has blinkered it to policies for Australia's future. The loudest claim for the new tax has been that it would deliver a huge boost to the Australian economy. This has been the shared song-sheet of the media pundits for years now. I find this virtual unanimity exceptionally puzzling. The Senate inquiry into the benefits or otherwise of the GST – after an exhaustive parade of independent, impartial, expert opinion – found that it was at best a marginal good, and at worst highly damaging.

Monash University's Centre of Policy Studies' Peter Dixon has been able to identify the folly of a GST for Australia's long-term economic future. Dixon showed that it would penalise Australia's modern labour-intensive export industries, tourism and education. Even the Prime Minister's preferred modeller Chris Murphy, of Econtech, found that the total national welfare gain from the package was around \$600 million – not enough to fund one university.¹ And Murphy's assessment does not even take into account the enormous business compliance costs.

On that point, the GST boosters say it is a more efficient tax collection mechanism, which introduces fewer distortions into the economy. Yet a report cited by one of the fiercest advocates of the GST, the National Farmers Federation, in its submission to the national wage case, says there will be very significant compliance costs for business and government, both one-off and ongoing.

The report, prepared by Binh Tran-Nam of the Australian Taxation Studies Centre (ATAX) at the University of NSW, estimated the initial one-off net costs of the GST for business would be about \$2.8 billion. This amount is very significant, representing nearly 10 per cent of the expected GST revenue of \$27.2 billion in 2000/01.

The ATAX paper says:

Most seriously, the high implementation costs of the GST cast doubts on the supposed welfare gains of the GST-based tax reform.

With the tax operating costs estimated at about \$1.5 billion annually, Binh says:

The estimated increase in tax operating costs is clearly much higher than the most optimistic GST-induced efficiency gains estimate.

In short, the whole thing is much more trouble than it is worth. So much for an efficient new tax system.

The ATAX paper notes that most of the business compliance costs will ultimately be passed on to consumers. This will add further pressure to the one-off rise in the consumer price level as a result of the introduction of the GST. The government initially said the price increase due to the GST would be only 1.9 per cent. It is important to make the point that no-one, I repeat no-one, believes this figure.

The Treasurer now claims the price effect will be 2.75 per cent over the year, but he won't tell us what the immediate price increase is expected to be in the September quarter. There are some private sector forecasts for the September quarter Consumer Price Index for this year – and these range up to six per cent. David Hale, Zurich Group's chief global economist, and a well-known expert on this part of the world, has said this week the change to the tax system will probably add four to five percentage points to Australia's CPI. The government denies that the GST is affecting the conduct of monetary policy in this country. Again, no one believes it. David Hale blows the whistle on this claim:

Clearly because of the political background, the Reserve Bank doesn't want to link interest rate hikes explicitly to GST, because that in turn could embarrass the Government and cause controversy with the Federal Treasurer. But there's no doubt that when you have that big a price change about to happen, you've got to be concerned about possible knock on effects.

Hale says we only have to look at the examples of Canada with its GST in the late 1980s and the introduction of the value added tax in Britain in 1973:

There's a whole history of examples you can look at of how a major change in the tax system involving consumption taxes will set the stage for an inflation shock that has to produce a response for monetary policy.

In Hale's view, "the GST, cobbled with the weak currency, are the two major forces driving Australian monetary policy today." Hale's remarks (made on ABC Radio 11 April) show that Labor is correct in linking the GST to higher interest rates. We are therefore correct in making the charge that the promised tax cuts for 1 July are being eroded by higher interest rates – a direct result of the government's own policies.

Labor, of course, has never supported a GST. Much is made of the consumption tax option, which was considered by the Hawke Labor government in its major taxation reforms of 1985. But people forget the main point – Labor rejected the tax on fairness grounds in favour of base-broadening measures on the income tax side. The unfairness aspect has been raised many times by many experts, but is perhaps put most eloquently by Patricia Apps of the Australian National University, who said:

The main effects of a tax-mix change involving a significant shift towards a broad-based consumption tax, combined with income tested compensation for lower income groups, can be summarised as follows: lower taxes for very high income groups, higher taxes for a wide band of middle income households, and higher average and effective marginal rates for second earners in lower and middle income households²

We have long been of the view that a GST, for all the above reasons, is at best marginal in economic terms, and therefore, because of our concerns with the unfairness of it, we oppose its introduction. When in government, we plan to roll it back. We will make it fairer, and we will make it simpler.

I want now to turn to another vexed issue for the government – its case for selling the remaining 50.1 per cent Commonwealth government stake in Telstra. As with the GST, there appears to be a virtual unanimity of view among commentators in favour of a sale of Telstra. The assumption seems to be that the case against the sale is simply crude populism, and does not merit serious analysis.

Let me state it clearly: Telstra Corporation is the nation's key investment in national communications infrastructure, an investment made by generations of Australian taxpayers. We are totally opposed to the government's plans to sell its majority share. We have many good reasons for this. In a geographically huge country like Australia, where we insist on equal access to communications, there is no question that it is best managed in the public interest.

When you look at Telstra's failure in providing uniformity of service around this nation, and when you look at what taxpayers stand to lose in their share of company profits compared with a one-off sale, there are ample reasons for opposing any further sale. The inability of the telecommunications giant to provide a reliable and robust service to rural and regional Australia is a massive shortcoming in our ability to become a knowledge economy. Countless small and medium businesses, universities and colleges, outside the cities, have complained about their inability to get a decent telephone system, let alone access to fast data lines for the Internet and on-line services. For example, the University of New England in NSW and the surrounding Armidale district have been excluded from access to any of the four fibre optic cable systems running through the town – they have been quoted by Telstra and others charges which are simply prohibitive.

This means that the university, one of Australia's major distance educators trying to provide a world-class service to its 15,000 students, most of whom live elsewhere in Australia, cannot take advantage of new technologies in providing teaching materials and keeping in contact with students.

Other businesses in the area complain that they cannot compete with city businesses in servicing clients because they can't get affordable access to modern telecommunications. I'm told that several call centre businesses, which investigated setting up in the region, along with other business ventures, were forced to pull out. This is the story of many country towns with universities located nearby, from Ballarat to Townsville. They tend to be ideal areas for the establishment of electronic businesses, with a multilingual well-educated workforce. But they can't get the bandwidth they need to be competitive.

This month's report of the National Bandwidth Inquiry, conducted by the Australian Information Economy Advisory Council, painted a damning picture of the availability and price of communications bandwidth in Australia, despite the gloss that the Minister for Communications, Senator Alston, has attempted to put on the Inquiry's findings. The report suggests that if the government fails to meet the challenge of providing affordable, quality and timely access to bandwidth, Australians living in regional, rural and remote areas will not be able to participate fully in the information economy. Given these problems even with government majority ownership of the telecommunications giant, Telstra, it defies credulity that further privatisation would be likely to lead to better services around this country.

Australia has always been a great trading nation, driven by ideas and entrepreneurial spirit. If whole sections of the nation are barred from full participation in the new economy, we all lose vital economic opportunities. We have always believed that privatisation would lead to a decline in services to the bush. Commonsense tells you that as soon

as you introduce a commercial imperative, the non-commercial, non-profit making services will fall. And where are they? They're in rural, regional and remote locations. And that is exactly what is happening today, as confirmed by the Australian Communications Authority (ACA).

The ACA commissioned a report as late as December last year, a formal investigation into Telstra's breach of its customer service guarantee and Universal Service Obligations, and found there were systemic problems in the ability of Telstra to improve those services. If we take the latest available figures, the ACA, in its December quarter 1999 performance bulletin, showed that on the question of connection of new services in major rural areas (without already existing infrastructure) a huge 25 per cent of connections were not made within the guaranteed time.

In urban areas, 17 per cent of fault clearances did not occur within the guaranteed time, and the figures were 14 per cent in rural areas, and a massive 26 per cent in remote areas. This consistent failure rate makes it clear that the already-compromised three-member inquiry the government has established to try to solve its political problem over its Telstra sale policy – is doomed from the start to fail. Another major argument against further privatisation is that it is a bad financial deal for Australian taxpayers. The current debate focuses only on how much money you can sell Telstra for; what proportion you can use for an election war chest; and what can be saved in interest payments by retiring debt. It ignores the other side to this story: by selling the rest of Telstra, you also lose half of its profits. Forever.

The sensible question for any prudent economic manager is what decision will make taxpayers better off? Our view is this: looking at the profitability of the company, it is far more rewarding to reap the annual profits. By keeping the public's share in Telstra, there will be more benefits to taxpayers for a longer period – a better education system, more investment in research and technology, more ways by which the government can invest in the Knowledge Nation.

So what are the numbers?

We have worked out the relative value to taxpayers of using the funds from the sale of Telstra to retire Commonwealth debt – and therefore saving on public debt interest payments – versus continuing to collect half the Telstra profits in perpetuity. Our analysis makes several assumptions. We assume the Howard Government sells Telstra next financial year. We assume the government spends \$5 billion of the proceeds in electoral pork barrelling, before retiring debt. Based on recent Macquarie Bank analysis and future projections of Telstra's profits, we assume 13 per cent annual profit growth in the future³. It is worth noting that the annual profit growth since 1992/93 has been 19 per cent⁴.

In all of this, it is important to note that we are using net profit figures – not the dividend – to assess the value of Telstra to the taxpayer. We have done so because dividends are only part of the value to an investor. No one buys or sells stocks on dividend yield alone. They quite rightly look at both the dividend and the earnings reinvested in the company, because this is the best measure of the stock's future earning capacity for the investor. It is also important to note that these figures are not comparable with Budget forward estimates. They are simply a method of market valuation which help to make a sell or hold decision. When you compare what the government can expect to save in interest payments by retiring debt, with the profit share it loses, you find the taxpayers are worse off just two years after John Howard's sale. The loss grows over time, reaching \$1 billion four years after the sale.

This analysis should not surprise anyone – it is the fundamental problem with selling a stakeholding in a company generating returns on equity exceeding 20 per cent on average over the last five years⁵, and using the proceeds to retire debt paying about a third of that amount. John Howard is yet to show on what financial analysis he bases his expectation that public debt interest savings will exceed the Commonwealth's lost profit share from selling the rest of Telstra. He must produce his analysis in the interest of open debate and fiscal responsibility. But he won't. And why won't he? Because he knows we have been over this ground once before.

Nearly three years ago, John Howard sold the first third of Telstra, and he knows taxpayers have already lost out on the deal. It has been three years now, and the numbers are in on that deal. It is time to call Mr Howard to account for them. Interest savings on the retirement of Commonwealth debt in the three years since the sale of the first tranche have been around \$2.7 billion, but a third of Telstra's profits adds up to \$3.5 billion. Thanks to Mr Howard we lost \$3.5 billion to save \$2.7 billion.

Let me make it clear: we are not against retiring debt. But it is not an argument on its own. There are opportunity costs which prudent economic managers take into account. And in the case of Telstra, those opportunity costs are too high, as our figures show.

While we are talking about the first tranche of Telstra, we can see that the government's obsession with selling off the family silver has led it onto dangerous ground. The Australian National Audit Office, in a report last year on the sale of the first tranche of Telstra, found that the share prices were seriously undervalued. This led to the Commonwealth receiving about \$16 billion less for the sale than the market was prepared to pay. So I ask how, taken together, these decisions were smart and fiscally prudent, and why would you let John Howard do it all over again?

The government's current position is that you cannot deliver major new infrastructure projects without selling this important asset. Does the government seriously want the Australian people to believe that as a nation we can only finance major infrastructure by selling off our best assets? This is like paying for the road to the farmhouse by selling off the stock.

Telstra Corporation is already a major player in the rapidly growing on-line economy. Why would we seek to divest ourselves as a nation of our key holding in this important company when we have so much to gain in the future? In addition to the constant suggestions the Commonwealth should sell the whole of Telstra, there has been an argument put by commentators and analysts that in order to capture sharemarket benefits, Telstra has to be broken up, with a "dotcom float" at the very least. When Telstra hinted at this possibility earlier this year, we said it was not sensible to sell off Telstra's best assets for the future.

I welcome the fact that this point was reinforced and underlined by Telstra itself recently, when it said it would not be bulldozed into a full-scale spin-off of its Internet assets simply for the sake of being "fashionable". Telstra was reported as saying that to do that would be to give up some of the birthright of the company and would not preserve its value. Likewise, we want to preserve Telstra's value by seeing it take its rightful role in the new and emerging information world.

As today's screaming headlines throughout Australia and Asia show, Telstra has shown no sign of being hampered by its majority government ownership. Last weekend, new Telstra Chairman Bob Mansfield said current ownership arrangements did not prevent the company from engaging in its strategic objectives. Telstra's recently proposed strategic acquisitions and alliances demonstrate the lie in the government's claim that Telstra must be fully privatised in order to grow and compete in the regional and international market. Telstra's recent consideration of acquiring Publishing and Broadcasting Ltd for a reported \$10 billion did not ultimately go ahead. But not having access to scrip for scrip transfers was not a critical factor. Nor was this a barrier to Telstra's strategic Asia alliance with Pacific Century CyberWorks, attracting so much attention today.

The reason the Howard Government can't see the problems with its Telstra and GST policies is that it is mired in the debates of the past. There are new and bigger battles ahead – battles upon which we need to focus our full firepower – like how all levels of government can work cooperatively with business to make the Knowledge Nation a reality. The GST has cost us years in lost investment opportunities, and years in debating the issues of the past. Business groups have been quick to focus on the government's lack of a vision for the future.

A survey for the *Australian Financial Review* published 5 April tells the story. In it leading businessmen expressed deep concern about the Howard Government's approach to the medium and long-term economic issues. Bob Herbert, the Chief Executive of the Australian Industry Group said it best:

There are not enough messages from Canberra about what lies ahead – we are patting ourselves on the back saying how well things are going, but we are about to be caught short by the rate of global change.

Bob is right. That's why Labor is focusing on the future, focusing on how to rebuild the country's infrastructure, education and social programs. I invite all of those participating in the public debate to put behind them the dogma that says the GST must be good for the economy, that the sale of Telstra must go through. Instead, let's look at what really matters for this country, what sort of future we are building for the next generation. Let's look towards an active, determined, nation-building future in which we can all participate.

Endnotes:

- 1 Senate *Select Committee on a New Tax System*, February 1999; p41.
- 2 Patricia Apps, *A Tax-Mix Change: Effects on Income Distribution, Labour Supply and Saving Behaviour*, ANU Centre for Economic Policy Research Discussion Paper #371, July 1997
- 3 Assumptions taken from the Macquarie Research Equities' Report, *Telstra – thematic are improving*, 9 March 2000; p6.
- 4 Telstra Annual Report 1999, *Five Year Financial Summary*, p224
- 5 Telstra Annual Report 1999, *Five Year Financial Summary*, p224



Jenny Macklin



Kerryn Phelps

Photo – David Karonidis



Kim Oates

On Monday 17 April 2000, The Sydney Institute held an important discussion on Australia's health services. Many reports of Australia's health system suggest it is in crisis. However, internationally there are nations like the USA where reformers of health care have looked to Australia as a model. To discuss the many dimensions of Australia's health challenges, Jemmy Macklin MP, Shadow Minister for Health, Professor Kim Oates, Chief Executive of the Royal Alexandria Hospital for Children at Sydney's Westmead Hospital and Dr Kerryn Phelps, President of the AMA (NSW) addressed The Sydney Institute with reflections from political and professional perspectives.

THE HEALTH CARE

SYSTEM

Kerryn Phelps

Thank you for inviting me to speak this evening. I'm going to talk about some of the Australian Medical Association's concerns about the health care system.

The Australian health care system has lost direction and purpose. It may work for bureaucrats, but it doesn't work for patients. For a number of years we have witnessed the decline of public hospitals in New South Wales. The symptoms of this decline have been growing waiting lists, an increased demand for emergency services, a substantial rise in public patient admissions with a concomitant decline in private health insurance, and a chronic inadequacy of hospital budgets.

Waiting times for elective surgery were the first of the problems to be made public. A one-off "waiting list reduction program" proved to be completely ineffective – waiting lists were on the rise again immediately, not helped much by having to close down elective surgery for between two and ten weeks because of budget overruns. Rural medicine is in crisis with difficulty recruiting and retaining doctors and nurses while rural resources are trimmed back.

Like the story of the Emperor's New Clothes, for years everyone had known that the hospital system was naked but nobody was speaking up. Then things changed. Led by the AMA (NSW), clinicians all over the state began to speak out publicly and kept us informed about the real story in their hospitals and Area Health Services. The public began to hear about the crisis in emergency services, threatened funding cuts to Area Health Services in New South Wales, the frustration of doctors, nurses, and ambulance officers trying to do their job while they were being impeded by a lack of beds and instructions by their area health services to slash budgets below the level that their consciences would allow. Emergency services were in the public eye, with reports of long waits for attention and even of ambulances turned away from hospitals. A new bureaucratic euphemism, "access block" was born. This means that beds could not be found for patients admitted through the emergency department.

The initial response from government was unhelpful to say the least – it was all because of a particularly bad flu season or the area health services had not yet received their budget allocations. We weren't going to accept those excuses. We knew they were not true. Then budget proposals containing funding cuts had been circulated to the Area Health Services, and we knew the problems for emergency services would not mysteriously disappear with the arrival of the first daffodil in Spring.

Through a careful planned media strategy and intense behind-the-scenes lobbying, we achieved the unthinkable. A government acknowledging that the hospital system was under “unsustainable stress” and needed a complete review of structure and funding.

First, the government promised to divert funds from administration to preserve “front line” services. Then the Emperor's tailors were sent scurrying to design and present the new wardrobe to make the Emperor more presentable to the populace; and so the NSW Health Council was formed to undertake an inquiry into the NSW health system.

The report of the NSW Health Council – also known as the Menadue Report after its Chairman John Menadue – was released on 7 March to great fanfare and an announcement of “a \$2 billion cash injection over the next three years”. I will return to that announcement later. The Menadue Report is interesting from a number of points of view – the NSW government's response, proposed changes to the administration of health care in New South Wales and some of the broader comments on the underlying issues facing the health care system, not only in NSW, but nationally. I'll start with the latter. Firstly, the report acknowledges that rationing is inevitable:

..we believe that the success of our reforms, and also the success of the health system to date, will be eroded unless Commonwealth and State governments and clinicians lead a community debate about the need for realistic expectations about what a health system can deliver, and the need to ensure that health care is appropriate....Unless there is widespread recognition of the need to deal with increasing demand, the cost of health services may well extend beyond the capacity of governments and the community to pay for it.

“Appropriate” health care is one thing, but we have not even begun the debate on what we consider to be “realistic expectations” for health care. I suppose if it is your hip that needs replacing or your coronary arteries that need bypassing then it might put a somewhat different complexion on the issue for you. We need to start with a national discussion about what we consider to be basic core services for populations, wherever they are situated. We then need to decide what the taxpayer is prepared to pay for. It is a fairly safe bet that cosmetic breast enlargement will be off the list. But what about an age limit for

transplant surgery or vascular surgery? Who decides? This debate cannot proceed in an emotional vacuum and must always address the fundamental issue of social justice. I doubt that anyone wants a situation where essential medical services are available on the basis of whether you can afford them. Yet that is a possible outcome of the current direction.

Secondly, the report calls for greater cooperation between the public and private sectors:

Increased involvement of the private and non-government sectors is essential if NSW Health is to improve the value and effectiveness of its expenditure on health care...We believe there needs to be a more informed and thoughtful community debate about the role of the private sector in the delivery of health care.

Contrast this view with the proposal of Meg Lees on behalf of the Australian Democrats (*Sydney Morning Herald* 15 April 2000) that areas be granted budgets to do as they see fit locally, and that the public hospital system should employ all staff specialists and not private doctors. That would be the fastest way I could think of to close the public hospital system down.

The AMA supports initiatives designed to raise the level of private health insurance. This not only provides patients with their choice of specialist, and takes the pressure off public hospitals, but helps patients pay for allied health services such as physiotherapy and speech therapy, which can be critical for their and their families' well being. I have heard distressing reports of elderly patients who cannot obtain dental care, with serious effects on their overall health. Public funds should be directed to real areas of need like this, and towards those who are not articulate health consumers – the disabled, the mentally ill and families in crisis, to name a few.

Thirdly, the report addresses Commonwealth/State issues as they impact on the delivery of health care in New South Wales:

Australia does not yet have in place a national health policy that clarifies the respective roles and responsibilities of the State and Commonwealth governments, the desired health outcomes for NSW and Australian communities and the most effective ways of delivering patient care. Cooperative arrangements are required to allow governments to focus on linking shared objectives for a healthy community to the financing and delivery of health services.

Cost shifting

This leads to the vexed issue of Federal/State financing issues.

I have been strongly advocating a national review of health funding arrangements. The absurdities of health financing have brought with them the shabby process of cost-shifting. The Menadue Report refers to a number of aspects of cost-shifting – aged care is one area that constantly falls between the cracks. Take the example of the frail elderly in rural areas.

Commonwealth funding for aged care is not reaching rural areas in particular with the resulting severe shortages of aged care places. We are faced with the situation of elderly people who are unable to care for themselves living in acute care beds in State-funded public hospitals, putting an even greater strain on the already stretched rural area health budgets. It is certainly not the most “appropriate” facility for caring for our elderly citizens.

This brings me back to Federal/State relations and the term “cost shifting”. In this example cost shifting occurs because it is the federal government’s responsibility to subsidise aged care, but where no accommodation exists, the State government has to pay for this care from its hospital budgets.

Another dispute about cost shifting occurred a few years ago when doctors providing outpatient services in NSW hospitals were instructed to bill Medicare. The Commonwealth thought that these services should have been state funded and clawed back the funds. Such arguments about cost shifting are shabby and do nothing to improve the health of Australians. If no-one funds out-patient clinics, patients suffer. Nevertheless, the practice of billing Medicare for outpatient services continues unabated.

The concept that the health system works by the Commonwealth government paying for basic medical and hospital services and the states organising the delivery of these services needs reviewing urgently. At the moment, the federal government blames the states for bad management, and the states on the one hand cry poor to the federal government, and on the other defend their record to stay in power. The patients lose.

Finite funds cannot meet infinite demands and it is no health care solution to ration services to the level of funds available. Discussions about improvements to efficiency, quality and productivity are often about measures which are primarily aimed at cost cutting and inevitably involve more bureaucratic control of medical practice. General practice is one of the key examples.

In 1985/86, 55 per cent of GP services were direct billed, or “bulk-billed”. The figure for 1997/98 was nearly 80 per cent. The system of services free at point of delivery but with a guaranteed government subsidy has been ripe for exploitation by medical entrepreneurs who gave us the concept of the seven minute consultation. Not a high point in medical history but it was encouraged by a system that rewarded throughput.

For the last 15 years the Commonwealth government has attempted to push down costs by holding back increases in the Medicare Benefits Schedule, in order to reduce expenditure on rebates. Where GPs bulk bill, they now charge a fee which gives them insufficient income to recoup the cost of running a medical practice.

Rather than raise Medicare fees, Commonwealth governments have offered GPs additional lump sum payments, with strings attached. They are quietly working towards implementing fund holding in general practice, for example where GPs would be offered a budget for coordinated care, or supervising the overall needs of patients who are chronically ill or who have specific illnesses. Coordinated care sounds rational, but GPs already coordinate care. Coordinated care involving fund-holding has been a failure in the UK, reducing the patient's choices of practitioners and treatments. It is a financial measure, and governments should be honest and say so.

Cost shifting is raising its head again. If the Commonwealth can be persuaded to pay for coordinated care through general practice, the State considers it may see fewer hospital admissions from chronically ill patients. As I see it there are three solutions to the bulk-billing problem. We continue down the same path where doctors continue to increase their dependence on government funding through schemes like the "Practice Incentive Payments" Doctors wind back bulk-billing reserving it for those who are genuinely needy. The government acknowledges that it cannot continue to afford to pay for the true cost of Medicare and restricts bulk-billing to the genuinely disadvantaged but the Medicare rebate for those patients is increased significantly to account for the value of the service. All other patients pay a more realistic fee for the doctor's consultation.

A number of doctors no longer bulk bill, and their patients understand that while they contribute to the cost of their care, they have the time and attention they need. Doctors should not be vilified for this, but supported for providing sound medical practice.

Provider number legislation

The most recent effort to contain costs has been to reduce the number of "providers" (or doctors) by restricting the allocation of provider numbers allocated to newly registered doctors. Doctors can no longer enter general practice after serving their internship in a hospital but must obtain a place in an approved training scheme. The number of graduates and interns in the system far exceeds the number of training places available, especially for general practice.

It has not been established that Australia has too many GPs – the Australian Medical Workforce Advisory Committee is due to report on this later this year. In fact the federal government's own review of the notorious provider number legislation said that "there is a singular lack of knowledge about what Australian-trained medical graduates do and why. ...The gap in knowledge about Australian trained medical graduates has been problematic for policymakers and workforce planners alike..." No problem at all! They just invented an alleged oversupply of GPs to solve their Medicare funding issue.

As the number of doctors seeking training places snowballs after a few years, medical unemployment is inevitable. Why are we spending public funds educating future practitioners just to change the rules on them part-way through their careers? The most disturbing thing is the lack of proof that there is an oversupply of GPs. If that is so, then why has the NSW government just announced a record number of overseas-trained doctors given provider numbers in areas of need, having bent the rules so that they do not have to first pass the AMC exam?

The AMA agrees that supervision in general practice is necessary for junior doctors. Doctors may wish to specialise after working for a few years in general practice, and some of our leading specialists have followed this career path. Under the new scheme doctors will have to decide on their area of practice early on and will find it very difficult to change.

Another anomaly of the scheme is that while the public is supposed to benefit by seeing better trained practitioners, the government is trying to remedy workforce gaps by allocating doctors who haven't succeeded in obtaining post-graduate training positions to unsupervised rural locum or after hours work. The reasoning, as expressed frankly when the measures were introduced four years ago, is that fewer providers will generate fewer Medicare services, and will save money. This is typical of the deceit caused by the politics of defending open-ended services, while faced with budgetary constraints. The government is not willing to openly apply a price signal to the consumption of services, but prefers to cut them back on the supply side. If a patient can't see a doctor, they won't generate a rebate and that won't boost expenditure. Problem solved.

Another method has been to allow non-medical providers to supply primary health care services for example by nurses and optometrists. The AMA maintains that only medical training provides the ability to investigate and diagnose illness. Anything less is sub-optimal for the patient.

So far, the NSW government's response to the Menadue Report has been largely limited to promises of increased funding. The Report calls for more involvement by clinicians in decision-making, a call welcomed by the Australian Medical Association. Medical practitioners are at the coalface of health care – we are eyewitnesses to the failure of the public system to meet the demands made upon it. We live the frustrations of trying to get beds for seriously ill patients when the hospital closes to all but life-threatening cases. We see the problems created for small communities when their hospitals are downgraded or closed and their doctors have to leave to work elsewhere. We are expected to cooperate in a “slash and burn” culture of funding. I only hope that the clinicians involved in the process of structural reform are

heeded and not muzzled. The AMA also supports the announcement of a three year funding cycle for Area Health Services, an important step in enabling hospitals to forward plan.

Honesty (The \$2.1 billion announcement)

When the Carr Government announced “a \$2.1 billion cash injection” into the NSW health system, most people felt this would be the answer to our problems. It sounded too good to be true, and indeed it was. Having learnt long ago to be skeptical, I asked the AMA to commission an independent report on the funding by one of Australia’s most experienced health economists, Mr Roger Kilham of Access Economics. He also reviewed the Auditor-General’s report into the health budget.

According to his analysis, the difference between the existing forward estimates and the amount of real new funding is a mere \$105 million. Put differently, after the 8 March announcement, the health system in NSW can expect to be \$105 million better off over three years than it thought it would be. Such an announcement, which was a cynical exercise aimed at electoral popularity, does very little to address the issues facing the health system and even less for the public’s or the medical profession’s confidence in the goodwill of this government. In his Chairman’s report, Mr Menadue said:

We need an informed and serious public discussion about health directions and priorities...That is why we highlighted honesty as an important value and principle, particularly honesty about resources available and what it is reasonable to expect from the highly professional staff within the system.

We must look at increasing the resources devoted to health care, and not rationing health care through the back door by restricting access to public hospitals or limiting provider numbers for new doctors.

I conclude that honesty, transparency and clarity are what we now need in an urgent review of health care in Australia. It must involve the States and Territories and the Commonwealth, the medical and nursing professions and the public...and it must be soon. Limited public resources must reach those most in need, and the private sector must play a part. A health system is not about ideology, terminology or funding formulas. It is about people. That is the bottom line.

HOSPITAL CRISIS

– *WHO CARES?*

Kim Oates

In this paper I will discuss the work of the New Children's Hospital, the reliance we have on community support to provide the standard of care our young patients deserve and the value of investing in children's health, because it is so cost-effective. I will also try to persuade you that although many hospital costs have increased due to technology, that same technology has also reduced other costs.

One hundred and twenty-two years ago a group of women met in Sydney to discuss how to establish a children's hospital and decided to approach the Premier, Sir Henry Parkes, for financial assistance. Sir Henry may well have had an interest in children – he had 17 of his own. He pledged £4,250 towards the new hospital with one condition, that a similar amount should be raised by public subscription. Within 18 months, the public subscription had been raised, a building in Glebe (previously a small private boys' school), was purchased, repaired, refurbished and several wards opened.

That was the beginning of the Royal Alexandra Hospital for Children, now known as The New Children's Hospital. We have been looking after sick children ever since. We have also been raising money from the public since then.

Before addressing such questions as: Why do we still need to raise money from the public? Should we be doing this? Is there really a health crisis? If so, who cares? I want to set the context by telling you about the work of our hospital.

After our small start in Glebe in 1880, we moved to Camperdown in 1905 and to Westmead in 1995. This is where we should be, in the geographic centre of Sydney, with approximately half of the child population to our east, the other half to our west. Although we have a special responsibility to the children of western Sydney living close to us, we actually serve the whole state. One in eight of our young patients comes from the North Shore. One in six is from rural New South Wales. Others come from interstate or from overseas for care they cannot get anywhere else. Sixty per cent are under five years and most of these are

under one. We strive for excellence in all fields. Here are some examples.

We are the National Liver Transplant Unit for children. Children need liver transplants for a variety of reasons. The commonest is an abnormality in the liver present at birth, which leads to progressive damage. Last year we did 11 liver transplants – an extremely complex operation, followed by intensive medical care to avoid rejection of the transplanted liver. Our results are amongst the world's best. Before liver transplants were available, these children died. Now they can have normal lives. We have 15 children currently waiting for a transplant. One of my favourite young patients was a jaundiced, stunted, emaciated baby with progressive liver disease. He had a liver transplant when he was three, doubled his size over the next 12 months and in January this year started school with all of the other normal five year-olds. I recently caught up with the young lady who was our very first liver transplant recipient. She is doing the Higher School Certificate this year and plans to do nursing, specialising in paediatrics, so that she can come back to work at the hospital which saved her life.

We are the State Burns Unit for children, caring for the most difficult and horrendous burns from all over New South Wales and also developing, through our research, better techniques to manage burns and relieve pain. We have the National Centre for Immunisation Research which looks at the effectiveness of new vaccines for children on a national level and works closely with international research groups.

Our children's Cancer Unit is the largest and busiest in the state. Enormous gains have been made in recent years, so that now most children with leukaemia have a better than 75 per cent chance of survival, with a normal life after treatment finishes. Our Cancer Research Team, which has an international reputation, is working on understanding the structure of cancer cells so as to target more effective treatment. Our Gene Therapy Unit will soon be able to deliver a gene to help the child's body counteract the unpleasant side effects of chemotherapy.

We provide one of the two major children's heart surgery centres in Australia, often performing life-saving surgery in children in the first few months of life. When you realise that a newborn child's heart is only the size of a 20 cent coin and a premature baby's heart is the size of a \$1 coin, it is obvious that these are highly skilled surgical procedures, requiring a team of surgeons, anaesthetists, cardiologists and specialist nurses, all trained to do things in miniature.

Childhood diabetes is a serious condition with devastating complications developing in early adult life unless there is excellent care in childhood. Our Diabetes Unit is the largest in Australia, making new break-throughs in preventing complications in adult life.

I could give many more examples, such as our work with kidney transplants and renal disease, our neurosurgery and neurology teams and our research into asthma, but I am sure you get the picture.

Modern medicine is complex. The equipment needed is sophisticated and soon becomes superseded, as even better tools become available. The information technology resources needed to support this work are formidable and, of course, information technology software needs to be upgraded at an even faster rate than medical equipment.

We also know that the next 10 to 20 years will be the most exciting that medicine has ever seen. Knowledge becoming available in molecular biology and our understanding of the human genome will revolutionise our ability to cure previously incurable diseases. It is no exaggeration to say that we are on the brink of exciting changes at least as great as those brought to us by the discovery of antibiotics. This is why the New Children's Hospital is investing a significant proportion of its donated funds (close to \$4 million this year) in research, so that we can continue to be an international leader in this new field of research, just as we currently provide international leadership in areas such as immunisation, diabetes, neurology and cancer research.

In addition to these things, the New Children's Hospital is special because we have something that money can't buy. This is an attitude of really caring about our young patients and their families. It means special facilities for children in hospital, such as an entertainment area provided by the Starlight Foundation, our children's TV channel, our own radio station, "Radio Bedrock" where children can join the disc jockey in the studio, visiting entertainers, and staff who do that little bit extra, such as the surgeon who recently painted a seven-year old's toenails as a way of gaining her confidence and the nurse who baked some biscuits at home to tempt the appetite of a special young patient.

We also look after parents, with up to 100 mothers and fathers sleeping in the hospital on any one night. We have unrestricted visiting for family members, peaceful gardens, quiet areas and parent support groups. It is this special blend of highly skilled staff, sophisticated equipment and an attitude of caring for each child and parent as individuals with unique needs, that makes us one of the world's great children's hospitals.

One reason why I am passionate about providing the best available child health, is that it pays off. There is clear evidence that providing high quality care in childhood reduces the impact on the health system further down the line when these children grow up. We have shown this in the care of children with diabetes, cancer, leukaemia, prematurity and those needing intensive care. Children have many serious life-threatening diseases, but in general their bodies are in good shape when these problems occur and they are very resilient. At the risk of frightening those in the audience of middle-age and beyond,

children admitted to a specialised children's intensive care unit have an 8 per cent mortality compared with a published death rate of between 35 per cent and 50 per cent for adults admitted to intensive care. Quality of life is also better. Over 50 per cent of children admitted to paediatric intensive care go back to a normal life, compared with the studies showing that only between 15 per cent and 35 per cent of adults have normal function after a stay in intensive care.

Last month when visiting our hospital, Peter Doherty, the 1997 Australian of the Year and 1996 winner of the Nobel Prize in Medicine said: "Children are a disadvantaged group. They have no vote, their parents tend to be in lower income groups and as a result more attention is paid to the health needs of the more affluent, influential, older age groups." Our society says "children are our future" – but these words are not often backed by action. A pity, when there is clear evidence that investing in child health pays off in dollar terms further down the line.

I return to the question of why should we have to raise money to provide the best care for sick children. Our hospital raises \$15 million a year in public donations. This is just over 10 per cent of our total expenditure. The government provides the bulk of our funding, but it is what we raise from the public which makes the difference between us just being a pretty good children's hospital and one of the really great ones. We put close to \$4 million into research each year and our researchers win a similar amount in open competition from bodies such as the National Health & Medical Research Council. We employ over 180 staff on donated money, working in direct patient care as well as in research. Most of our equipment comes from donations, as well as almost all of the special facilities we provide for parents and children.

Some examples: pain relief is an essential part of looking after sick children. From giving a local anaesthetic so that an intravenous injection can't be felt, through to the relief of severe pain in burns and following surgery. Our pain team receives its funding from the Vincent Fairfax Foundation. Woolworths have funded a range of projects, including a new kidney dialysis area for children awaiting kidney transplants. The New South Wales Fire Brigade, through a payroll deduction scheme, supports our Burns Unit. A much needed laser to remove disfiguring birthmarks has just been purchased by three Sydney businessmen who each contributed \$100,000. These are just some examples of major supporters and donations.

However, the vast majority of our support comes from 4,000 community groups and an additional 45,000 people who individually make an average annual donation of \$50 to support our work. These 45,000 donors, who are also 45,000 voters, appreciate what we do and want to be part of it. It is the mum, dad and grandparent who are the backbone of our support.

We have had some extremely generous support from a small number of corporations and wealthy individuals, but in general, the “big end of town” has not been involved and supporting us in a really significant way. This is why I believe it is important to get the message across that an investment in children’s health is an investment, not only in their future, but also in reducing costs further down the line.

Another question I posed at the outset was: should we be in the fundraising business at all? Perhaps not in an ideal world, but in reality, if we really want the very best for sick children, we have no choice. We will always rely on the government for the bulk of our funding, but the extra facilities for parents and children, the research initiatives, the best available equipment and the extra play therapist to help the distressed child, are things that our supporters often take great pleasure in providing so that our work becomes a partnership between us, the community and the government. What we have to do is ensure that we are not disadvantaged by government thinking that they can reduce their support because of the level of public support. Although there is little evidence for this, it is something that we have to be vigilant about to ensure that donated money is used wisely, in ways that are of direct benefit to children.

Is there a health crisis? We hear the term “health crisis” so often that we take, as an article of faith that it must be so. What is the evidence? It is certainly true that many health costs are much higher than in the past. New technology, such as MRI scanners, newly developed drugs, the myriad of equipment that surrounds the patient in intensive care, are all extremely expensive and often soon superseded by superior equipment. On the other hand, they have made a major impact in earlier diagnosis, the availability of more effective treatment and reduced length of stay in hospital, all of which reduces health costs. The average length of stay in the New Children’s Hospital last year, 1999, was three days. In 1979, it was more than double that at 6.4 days. A day in hospital is expensive, not only in terms of the hospital costs, but also because of time the child loses from school and time that parents have to take off work to be with their child.

Some children who previously needed open heart surgery to repair a hole in the heart, can now have the defect repaired as a day case by having a patch inserted through a catheter threaded up into the heart, without the need to open the chest. Some adults who previously required coronary artery by-pass surgery can now have their arteries widened through a catheter. There are many other examples of how new technology, expensive as it is, reduces overall health costs, shortens periods of rehabilitation and lets people get back to work and education sooner. As a result, Australia now has one-third fewer hospital beds per 1,000 population than we had in 1980.

In 1997, Australia spent 8.4 per cent of its gross domestic product on health. Sixty-nine per cent of this was spent by the government sector, the remaining 31 per cent by the private sector. Our health expenditure as a proportion of GDP puts us close to the average for those developed countries which have data available, the highest spender being the USA at 14 per cent of GDP, followed by Germany at 10.4 per cent and Switzerland at 10.2 per cent. At the lower end is the UK at 6.7 per cent and Greece at 7.1 per cent.

Although health expenditure is rising, GDP is also rising so that in Australia, as in most developed countries, apart from the USA, health expenditure as a proportion of GDP has been fairly stable since the 1970s. In Australia in recent years, public hospital expenditure has been a little below the proportion of GDP, while private hospital expenditure and pharmaceutical costs have been a little higher. So although health expenditure is high, the figures suggest that it is certainly not out of control, with increased hospital costs from technology being largely balanced by reduced length of stay.

One of the problems hospitals face is their annual budget cycle which makes forward planning difficult. The recent reforms of the New South Wales Health Council are very promising. Area Health Services will now receive a three year budget. There will be emphasis on quality, efficiency will be rewarded and teaching hospitals, community health facilities, district hospitals and general practitioners will have increased linkages. The recommendations make good sense and there is new money to back them up. They are very much in line with the initiatives, started by the New Children's Hospital in working closely with paediatric units in district hospitals to enhance their services so as to take our standard of care and philosophy beyond our walls, out into the community.

Finally, who cares? I can really only talk from the perspective of the New Children's Hospital. I know we have 3,000 staff who passionately care about providing the very best for sick children, with many demonstrating this daily in their work. I also know that we need to build our relationship more with the corporate sector and to look at ways of how they and their employees can be part of our work, so that they also will really care.

I know that most people in New South Wales are proud of the work of our hospital and that most at some stage have had experienced our services, either when they were children, with their own children, or through the children of friends and relatives.

I also know that there are 45,000 individuals who feel our work is worth supporting, not because there may, or may not be a health crisis, but because they appreciate our work and enjoy being partners with us in helping sick children to get better.

CREATING AN

INTELLIGENT HEALTH SYSTEM

Jenny Macklin

The title of this forum – Hospital crisis – who cares? – conveys the sense of despair felt by many in our community about how our hospitals are funded. The community is tired of circular debates about funding crises, cost shifting and finger pointing between governments.

Tonight I want to talk about a critical issue that remains hidden from the public glare: the quality and safety of our health care system. Eighteen thousand preventable deaths a year is much more of a crisis than the usual health stories we read about. But it is an issue that many have refused to openly discuss in this country and it has certainly not been on the health reform agenda. Tonight I want to change that by starting a debate about what I call “creating an intelligent health system”. An intelligent health system draws on the significant benefits that flow from using technology to deliver a comprehensive improvement in the quality of health care.

It is about investing in new technologies to get the full benefits from our highly skilled people and our investments in hospitals and other health facilities. Labor is committed to creating an intelligent health system that includes a quality and safety strategy with the following four pillars at its foundation.

Firstly, in government, Labor will invest in the development of national benchmarks for health service performance and standards of treatment. This national framework will

- improve the flow of information through the health care system
- reduce the variation in the use and outcomes of health services, and
- ensure the efficient implementation of evidence-based medicine;

Secondly Labor will empower health consumers by requiring the public release of performance and financial information to allow informed choice. Thirdly we will accelerate the introduction of new technologies that will improve the delivery of health care. This will include electronic health records, electronic prescriptions and electronic decision support systems for health professionals. Lastly we

will establish a strong privacy regime to protect the interests of patients as new information systems are introduced.

Australia's health care system has to revolutionize the way it uses information to improve the quality of care that is provided. It is a simple but clear fact – improving the intelligence of our health system is critical to save lives and prevent injuries. It is also about restoring trust and pride in our health services.

A 1995 quality in Australian health care study estimated that 18,000 Australians die each year as a result of preventable health care mistakes. This is equivalent to a jumbo jet load of patients dying each week – yet no-one is talking about it. This study has been much debated but it has never been disproved. By international benchmarks we are well below par.

The financial implications are enormous. The 1995 study estimated that the direct hospital costs of preventable adverse events in Australia in 1992 was approximately \$900 million per annum for hospitals. This translates to \$1.2 billion per annum across the entire health sector. This is equal to the estimated costs of all other injuries combined. In other words, avoidable adverse events in the health sector may cost us more than the total cost of all suicides, homicides, accidental falls, traffic, industrial, farming and recreational accidents.

National leadership is urgently needed. We are seeing this national leadership in the US and the UK – right now the British Prime Minister and the US president are personally pushing the quality and safety reform agenda in their respective countries. Last month, the British Prime Minister Tony Blair announced an additional two billion pounds for the National Health Service in return for improvements in the quality of care provided. In his speech to the House of Commons Mr. Blair said:

These were big issues... some of these problems will be because of a shortage of staff and equipment. But some will be poor management and inefficient organisation.

Some will rise out of outdated demarcations between professionals within the service. Some will be system failures. Some will be professional failures. Each of these must be confronted, analysed and solutions found

Similarly, the US president, Bill Clinton, wasted no time in responding to an Institute of Medicine report that concluded that at least 44,000 Americans die each year as a result of medical errors. On the 22 February 2000, President Clinton announced a national plan to reduce preventable medical errors by 50 per cent within five years.

Labor's national approach will be based on six quality principles: access, efficiency, effectiveness, appropriateness, safety and consumer satisfaction. We must break the cycle of poor quality creating avoidable costs and find ways to deliver better services that also eliminate duplication and waste. Labor's approach isn't about weeding out a few

bad apples or placing blame; it is about systemic reform. Labor will work closely with interested parties to give energy and direction to this important long neglected area.

Labor believes that consumer participation is central to improving quality. By empowering consumers with information about the safety and quality of care in their hospitals we believe they can play a central and continuous role in driving further reforms. Patients should be in a position to make informed decisions. They should know the predictable outcomes of care, the probability of benefit, the hazards and the degree of risk involved in any procedure or treatment.

Patients are also entitled to informed financial consent so that they know the full costs they will have to meet and are in a position to choose which hospital or doctor to use. The key, therefore, is to collect the information that enables such comparisons and present it in a consumer friendly format. Labor believes national information systems are essential to drive quality reforms and reduce medical errors. Labor is committed to making this reform a reality.

Australia does not have a national approach to improving the safety and quality of health care and there is no coordinated national effort to collect, collate and analyse the data on health service performance and standard of treatment. This is a disgrace. The Howard Government has taken nearly four years to establish a national council with a tiny budget of just \$1 million a year.

The establishment of the council is a first step but it needs to be given a new sense of urgency, a much larger budget, and a mandate to lead reform. Usually, it is only when specific hospitals are open enough to release documents about their adverse events that the public is informed about the problems that occur.

In the United States a nationwide mandatory public reporting system is being established to reduce errors. Hospitals, and eventually all places patients receive care, will be required to report preventable medical errors that cause death or serious injury, and voluntary reporting of other medical mistakes and so-called "near misses" or "close calls". A uniform system of hospital data collection on health service performance and standards of treatment needs to be established.

Labor's safety and quality health programs will draw heavily on the benefits of rolling out information technology in the health care system. Labor sees major opportunities for new technology to make health services more effective, more accessible and more consumer friendly. We also recognise that technological change needs to be carefully managed with close attention to the social implications and the need for privacy for personal medical records. The adoption of information technology advances by the Australian health care system has been fragmented and slow. The Howard Government has a myriad

of Information Technology committees working on different areas with very limited consultation between the committees or with the broader Australian community.

There has been no national leadership so you see various states implementing different programs to provide telephone triage services which are incompatible and different designs for health records. It is the railway gauge syndrome happening all over again. The Howard Government has also been obsessed with outsourcing its IT delivery and this has led to confusion and delay as tendering processes have become bogged down or corrupted. E-health has the potential to revolutionise the way health care is delivered and health information stored and managed. Currently there is no single record that contains a person's health history. There is no computerised network to link general practitioners, hospitals and other health care providers, and consumers have little or no access to their medical records. The introduction of electronic health records would dramatically improve the quality of care provided within our hospital system and reduce the number of medical errors.

The New South Wales and the South Australian Health Ministers have both indicated their interest in the staged development and implementation of electronic health records. The recently released Menadue Report into the NSW health services recommended that within two-years NSW should be in a position to introduce health electronic records. The effectiveness of these records relies on a high level of standardization across the system and an extremely high level of confidentiality and security. Consistent standards, terminology and classification can only be guaranteed by a co-ordinated national approach. Labor is committed to taking the decisions that are required.

New IT is coming to health – ready or not. Consumers will be demanding it and the delays that bog down communications between doctors, pharmacists, hospitals and other health service providers must be overcome. Labor believes the development and implementation of nationally consistent electronic health records and decision support systems are central to improving the safety and quality of health services provided.

However, these new tools cannot be widely used until satisfactory arrangements are in place to ensure security and privacy are protected. Labor believes a strong privacy regime is the essential precondition for consumers to accept the revolution that is about to occur in health services delivery.

The government has recently introduced legislation for what it calls a "light touch" self-regulatory privacy framework. This is not nearly good enough if Australia is to move ahead to achieve some of the benefits from new information technology within an acceptable consumer oriented framework. Labor is currently considering the broad

principles on which it will build an effective privacy regime for the health sector. Clearly the rules must be well accepted by the public and be capable of enforcement. There needs to be an effective complaints process and sanctions for those who breach privacy rules.

Health information is highly personal and sensitive. I am determined to ensure Australians have control over their personal health information and that a strong privacy regime is embedded into our health system. The health sector is unique in that it spans both private and public sectors. The approach taken in the government's private sector privacy legislation is to apply the national privacy principles to health information, but to include numerous exemptions that are unique to health. As a result, the bill offers less protection for information about the health of Australians than it does for other types of information. This is totally unacceptable, as the reverse should be the case.

Labor believes there is a need for national Health Privacy legislation that is binding on all health service providers, public and private. This will include amendments to the relevant parts of the *Privacy Act* and the *National Health Act*. Massive national databases linking personal information from a variety of sources already exist in the private sector. Consumers have little control over how their personal information is used. We can't allow the same situation to develop in the health system. We must shut the gate before the horse bolts.

Conclusion

The health system will increasingly move on-line. There are enormous quality and efficiency benefits that will flow from these developments. But it is crucial that patient privacy is built into the system from the very beginning. The quality and safety of our health services can be improved enormously through the collection of health data. Medical errors can be reduced by the rollout of health information systems. It is time these issues were brought centre stage and a clear commitment made to implement systemic changes that deliver quality health reforms and protect patient's privacy.

The successful creation of an intelligent health system takes a long-term commitment. I look forward to input from the community at large and the health sector in particular as we develop the specific programs to be put forward at the next election as part of Labor's path back into government.

GUEST SPEAKERS AT THE SYDNEY INSTITUTE FEBRUARY 2000 – APRIL 2000

The Hon John Battle

(British Minister of State for Foreign & Commonwealth Affairs)

The UK – The Third Way

The Hon Tim Fischer MP

Senator Marise Payne

Timor – East and West

Dr Wolfgang Hoffmann

(Executive Secretary – Preparatory Commission, Comprehensive Nuclear Test Ban Treaty Organisation)

Towards the End of Nuclear Testing

The Hon Michael Lee MP

Laying The Foundations of The Knowledge Nation

Professor Marilyn Lake

(Author *Getting Equal* [Allen & Unwin])

The Limits to Equality

Ted Evans

(Secretary to the Treasury)

Some Aspects of Economic Governance

Dr David Day

(Author *John Curtin: A Life* [HarperCollin])

Curtin as Hero

Peter Duncan

(Chairman & Chief Executive Officer, Shell Australia)

Corporate Social Responsibility – A Shell View

Margaret Piper

(Executive Director, Refugee Council of Australia)

Australia's Refugee Policy

Dr Helen Nugent

(Chair, The Major Performing Arts Inquiry – 1999)

Lessons From The Major Performing Arts Inquiry

The Hon Kim Beazley MP

Labor's Case Against the GST and Sale of Telstra

Dr Kerry Phelps

(President of the AMA (NSW))

Professor Kim Oates

(Chief Executive, Royal Alexandria Hospital for Children, Westmead)

Jenny Macklin MP (Shadow Minister for Health)

Health Crisis – Who Cares?

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