



Case Study 5

Steve Bracks

This is an interview with the Hon. Steve Bracks AC, former premier of Victoria (1999 - 2007) conducted by CEDA in April 2013. An excerpt of this interview was published in CEDA's publication *Setting Public Policy*.

The Hon. Steve Bracks AC entered Parliament as the Member for Williamstown in 1994. He became Victoria's 44th Premier in October 1999 after serving as a Shadow Minister in the Employment, Industrial Relations and Treasury portfolios.

Do you agree with CEDA members that there has been a decline in the quality of public debate in Australia?

Steve Bracks: There is no question that there has been a decline. It is much less about long term issues and much more focused on immediate or medium term issues. There is too much of an emphasis on personalities and their positions rather than the issues. There are ways to address that.

What are the factors driving this?

Steve Bracks: The 24 hour media cycle is one. It has a much more immediate impact than it previously had. When I left office in 2007, you could do one media conference a day. You could do one story for the newspapers the night before. You could develop policy and release that policy in a timely way.

Now, with the wear and tear on governments with the constant media cycle it is a much more difficult process and the utility value of government has been reduced as a result. I think governments do not know how to respond to the issue, which is one of the reasons why I think that immediate hits are currently much more important than longer term benefits.

Governments do not have to respond. They need to learn that they do not have to respond to the constant media cycle. You do not have to be a commentator on every issue of the day. You can be out and commenting when you have something to say which is about the real policy direction you want to pursue or there is an announcement that you want to make.

This is an evolving issue and I think the new generation of people will come in to work through this.

Did you adopt a particular style when approaching the task of leading Victoria?

Steve Bracks: Yes. I adopted the Hawke view of the supremacy of cabinet, being the chairman of the board rather than the executive officer. Enabling your ministers to pursue their portfolios and policies in relation to the commitments we had made, interfering only when there is failure.

Additionally, we built an apparatus in government that enabled us to operate effectively by having some of the best policy skills we could find. That meant staffing up the central agencies, Premier and Cabinet and Treasury but particularly Premier and Cabinet. This involved having significant policy capacity, to be overseen by the Policy and Strategy

Committee of Cabinet, and to commission work. We actively recruited the best people we could because the quality of the public sector was very important.

Having a focus on it, having a determination to do it was necessary to develop the proposals that eventually made up the latest round of the National Reform Agenda. It was deliberative from our point of view.

Could you comment on the quality of policy development around Australia at the time?

Steve Bracks: What we found around the rest of the country was that it was not hard to take a leadership position because of the lack of focus and attention on policy development in the other states. So at every one of the ministerial forums, in the first ministers forums of the COAG meetings, in the work that was done by our departments, Victoria always had an advantage because we had done the work beforehand.

We were presenting clear and identifiable proposals with talented people working behind them. This was not the case with other states. They had not restructured their public sector to gear up. They were reacting to what Victoria did and so it was not that hard to get their support. I cannot think of another state administration that did policy as comprehensively as we did.

So, I think it was the paucity of not just policy development but the structures for policy development and the preparation of it that was poorly done in other states.

In Victoria we also identified a gap. Basically our premise was this: we had encouraged growth in Victoria to the limits of what a state government can do. And we pursued this through several methods, including actively pursuing population growth through domestic immigration and for a bigger share of overseas migration. We pursued a policy of trying to contain business costs to the average or the less than average of costs in other states. So we introduced an efficient workcover scheme, reduced payroll tax and so on.

We pursued infrastructure by putting away the proceeds of growth, which were happening through stamp duty, conveyance, and were pouring into the coffers because of the strong economic growth. We put that into three areas. One was a Growing Victoria Infrastructure Fund, secondly to reduce unfunded superannuation liabilities and the third was into reducing debt. That fuelled a lot of the key project developments such as railroad, energy infrastructure and water projects that we undertook.

Underneath that was a whole series of policy developments that we undertook and organised through our departmental processes and our cabinet committee and cabinet. In doing that, while the economy was performing reasonably well, we knew we couldn't do much more. We couldn't without a significant effort without a national effort. Victoria is 25 per cent of the national economy. Where Australia goes Victoria goes.

We had economic growth better than some states, certainly NSW. We had a one percentage point better gross state product on average because of population growth and infrastructure provision. But we couldn't do much better than that.

The principle of my government was that I asked, through our Policy and Strategy Committee of Cabinet, for our departmental advisors to commission reports on where we could seek to improve our economic position. Out of that process came proposals for a National Reform Agenda.

This included a boost to early childhood education, a more coherent pipeline of infrastructure and so on. That only came because we had the process to do it, the political will to do it and the organisational ability to do it.

So I was able to adopt these positions nationally. I was able to do that for two reasons. One, because we thought it was good for Victoria, but two because it was a national agenda for reform because the productivity reform in Australia had stalled and there was a gap. There was impressive tax reform by the Howard government to move to indirect taxes. Apart from that there was not much else. There was some labour market reform, which was a point of contention, but there was not much else.

So we based it on the premise that this was an advantage for Victoria. But we also knew that the great reforms of the 80s and 90s, the three level reforms, we called this the fourth tier, which were opening up the Australian economy by inviting in foreign banks, floating the dollar, looking at competition within the economy by competition policy and looking at unproductive legislation and reducing tariff barriers. These were great reforms that benefited Australia for 10 to 15 years after, but after that there was not much else. There was a gap not being filled by the Federal government, no other state was doing it.

We felt that it could only be achieved by getting unity across the other states and across the Commonwealth. So that is why we presented these reforms. They were based on evidence, based on what we thought would improve productivity in the country, and were a fourth wave of reform. We marketed it as such and presented it at COAG and, because the cupboard was bare, they adopted it.

First I got support from the other states, they had nothing else. Secondly, the prime minister of the time, John Howard, who was, to his credit, a great opportunist. Howard identified that it would be in his interest to try and pick up this agenda. That is where the whole COAG reform agenda started.

It can be done, all I am saying is that it can be done.

Do you believe that proactive political will to establish structures and build capacity needs to take place prior to any reform agenda being implemented?

Steve Bracks: What often happens, particularly at a state level, is that the central agencies are diminished in their policy capacity over time. They see it as a less important priority than other parts of government. When we got to government in 1999 we had a strong Treasury,

some effective policy development and robust organisation. There was a weak central agency in Premier and Cabinet. All it was doing was putting additional coordinating comments on stuff that other departments were doing. But no proactive policy development in policy work for the government.

What we did was change that. You need to get the structures right or else there is no point. This commitment led us to adopt significant policy development processes within government. Not only did we have the commitments that every government makes on approaching government, the platform, but I saw policy as something you had to continuously work on and have a process for in government.

So for example, I developed a Policy and Strategy Committee in Cabinet which simply talked about the forward direction of the government and the policy development of the government. The Federal government always has the capacity to develop policy and undertake this work. It is a matter of the political will to achieve it. At any one point the Commonwealth has the capacity to gear up on this. The public service is just waiting. All that is needed is political will.

The way you describe that is almost as though this was a historical trend of diminished capacity with state governments. Is that accurate?

Steve Bracks: Yes it was. Probably the last time there was capacity was under Wayne Goss probably. He was the only one who pursued what he called cooperative federalism which he geared up his department to pursue it. A bit of that was adopted by the Hawke and Keating adopted in terms of state and federal responsibilities.

My good friend Bob Carr did not do it. But, to his credit, he supported what we did in Victoria and helped us in that. I cannot think of anyone else who has done it.

Can you expand on the changes in the interactions between the federal and state governments?

COAG was changed from an intimate first ministers meeting back to the old premiers conference by having treasurers there. Essentially that was a recipe for disaster and it still is because you will not get real reform and change if you include your treasury departments as part of the program.

Essentially, with ministerial councils, with effectively the old premiers conference, and nothing being prioritised, everything being the same priority, and a large agenda that just keeps on getting larger, investigations that go on and one through the COAG process, through a mixture of political and departmental type work, atrophy occurs. There are lots of agendas but not much outcomes.

Now I was critical of that internally. When I left I made that to a federal review. I said, number one you should abolish ministerial councils because all they are going to do is to run interference for reform or change.

The first ministers, if there is to be reform, can drive that through their individual cabinet processes. Usually, what ministerial councils do is say, “No we cannot change that, we cannot reform that.” They are representing other vested interest. Get agreement and then leave it with the first ministers to drive it through their cabinets. That was my view and that was not happening.

Secondly, I would get rid of the treasurers from that meeting. Third I would prioritise the COAG reform agenda so that you identify what you really want to achieve.

I believe that would provide a more coherent policy development framework.

How do you drive reform in a federation of more or less equals?

Steve Bracks: There is always going to be a difference between the powerhouse states and the rest. This is the case in every federation in the world. If you look at Victoria and NSW then you have 60 per cent of the economic activity and population, and 80 per cent of the headquarters of major companies. The majority of economic activity is centred in these two States. Now, a bit has changed with WA, but there is always going to be that structural imbalance in economic activity in a federation.

What we need to do is to find the common ground on which we all agree on that can advantage each of the states and territories. I thought that was the productivity improvement as it would advantage each of us. The work we did was to say that by putting a larger investment in certain areas of reform would have a significant implication for the States or Territories in the form of indirect taxes such as payroll taxes and GST take. We identified that.

I think that if you get agreement on those issues that have a benefit for everyone then you can move forward. It does not matter what the political stripe of the federal or state governments. It is a challenge, short term politics always interferes with this. But we should search for a way to subvert that short term politics for a certain body of work that is uncontested because of the overall advantage of the nation.

The issues of inefficiency in the federation were overblown.

You described the political will required to establish ongoing policy setting. Why do you think that is important?

Steve Bracks: All governments come into office from opposition. Coming into office you do so with a set of policies that you determine and derive from your values, from the alternatives that exist. So you come into power with that and that is your forward thrust and what is reinterpreted by the public service as programs and policies.

But my view was that in government you had to replenish policy by using the apparatus of government to do it. The whole government is a tool available to do it. Now my view is that tool is often underutilised.

I saw the longevity of our government being dependent on using that apparatus of government to develop good policy. That is why effectively, I replaced the work we did in opposition with interest groups and stakeholders and the party apparatus with a structured approach as I have described already.

Could you elaborate on the involvement of special interest groups when you were in opposition as opposed to when you were in government? Do they even have a role when you are in government?

Steve Bracks: Yes they do. Interest groups are important because they assist in the policy development when you are in opposition. They assist in policy support when you are in government. If you are smart and able, when you are in opposition or in government, you will consult widely and try and get third party endorsement for you policies. It is like gold in politics if you get third party support.

For example, if you get, as we got continuing endorsement from the Victorian Chamber of Industries for the economic policies we were pursuing, from population growth, infrastructure spending, lower payroll taxes. That was not an accident. It was a result of significant consultation and collaboration that we had which enabled them to support or endorse some of the policies that we were developing. It is very important as it provides political cover for the policy you are pursuing.

That is not to say they should always support everything you do. But if you can get them to see the benefits of what you are doing that is good enough.

It sounds like their level of involvement with policy development changes significantly as you move from opposition to government.

Steve Bracks: It does change when you are in government, yes of course as you have other sources of policy development available.

How important is the mandate that you bring to government?

Steve Bracks: Extremely important. The mandate is a minimum. What you propose while in opposition and what you say you will do during an election is a minimum of what you should attempt to implement. But policy development does not stop with the mandate that you are elected on. That is a minimum but if you are static then you are only delivering what was relevant to yesterday.

I have always said that policy development is not about commentary on the current issues, which is what policy can often devolve into. It is the offer for the next four years or the next

10 years. If you are not thinking of that time frame then you are just acting as a commentator like everyone else.

It is not policy work on what is happening now but on what should be happening over that period that should represent their electoral mandate. Therefore, in getting into government, all you have done is get in on a set of retrospective policies that you have developed and then you are implementing them. So if you are not developing the policies for the next term and the term after that you are not doing the work for the next period.

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When you are developing that forward agenda, you described how the policies you were trying to prosecute were clearly advantaging the majority of parties involved, can you talk about an experience where you have prosecuted difficult reform?

Steve Bracks: Most of it was difficult. But the most difficult is the vertical fiscal imbalance between all the states. That is the most difficult and the most contentious. The operation of the federation is the most difficult.

We wanted reform and change because we were net donors, as is NSW. We were the only ones at the time, but we could foresee that WA would become a significant net donor as well. As QLD is now. So we kept having arguments with them that this should change as they will not be net beneficiaries in the future. They had none of it at the time.

Of course, WA has changed its tune completely. We could foresee that happening and thought we would get change because of that. But we did not.

What role does the ideology and the convictions of the leader play in developing the policies that the party prosecutes?

Steve Bracks: Traditionally the leader presents the policies and would be the key face of them. But the leader should be the architect of them as well. Philosophically no leader would rise to the head of the party unless they shared the values of the party. Structurally they would not be able to get there unless they represented those inherent of the party. But once you are there you can help shape what the forward agenda is going to be. A good example of that would be the Hawke government. The Hawke government did not win the election in 1983 on the back of floating the Australian dollar, or reducing tariffs or bringing in competition policy. But the leaders shaped those policies, both Hawke and Keating, because they saw them as necessary development in good policy to advantage the country and to move it forward and allow it to be competitive in the future. So the leaders shaped that and pushed the party, and the cabinet of the party, to that position and then prosecuted the case.

So it is not static and there is no clear answer to your question. Yes, Hawke would never have gotten there if he did not have Labor values, which he had. But it did not mean he was required to always be static and he reinterpreted those values. Now it is writ large and I do not think anyone is going to go back to increasing tariffs in the Labor Party. The only person talking about protectionism, believe it or not, is Tony Abbott.

In our example, we committed to a stronger fiscal discipline and used that discipline to pay down debt and unfunded liabilities. That position was controversial at the time, but now it is writ large as always good policy.

How do you deal with resistance in a position of leadership?

Steve Bracks: You overcome the opposition by using the full capacity of your party to persuade and convince. The Liberal Party would have to do this as well. Then you take it through the groups that make up your party, the members, forums and conferences. You take the policy through all those processes.

I am trying to think of an example of when the Liberal Party did that. I think it would be the GST. I don't think it was the policy of the Liberal Party to introduce a form of indirect taxation. They dumped it after Hewson, but they brought it in. That was something the leader of the party, John Howard, had to do to persuade the party to adopt it. But he did.

What are the biggest challenges to good policy development?

Steve Bracks: The biggest barrier to developing good policy is just political will. You can always get the people, you can always get the structure. But it is political will that is crucial, the determination to succeed. You need to believe that it is important and you have to be able to convince your colleagues that it is important and you have to be able to articulate it well.

Sufficient political will overcomes all the other deficiencies.

Could you elaborate? From a naïve perspective, you would assume that political will is a cornerstone of the reason parties exist. Are you referring to something specific?

Steve Bracks: There is political will to pursue the platform that the party was elected on. But the need to continue to win can subvert good policy development by reducing government to the lowest common denominator. That is a feature of what has happened around the country at the moment.

So there is a desire to win and then there is a misreading of what winning means. At the moment, winning is perceived as winning the daily argument. This is irrelevant.

Persuading and arguing a case that may not be popular now can win you much more dividends than simply winning the day's battle. But we have been reduced to largely winning

the days battles, not arguing and persuading on a position that can win you significant benefit in the longer term.

Yes it seems obvious that is what you should do. But the reactionary nature of politics now has made it more difficult.

Do you think the pace and complexity of issues and the way they are presented to government has altered the nature of government, in particular the cabinet process?

Steve Bracks: The current circumstances are different. So I am relating to a period before the 24 hour media cycle. I would argue we should find ways to deal with it and we haven't done so yet. We are still using the old paradigm we had of always being out every day and always responding, not letting anything go unsaid. This approach is destroying the longevity of governments and reducing the quality of policy development.

So I think we need to find ways to counter it.

Do we need to revisit some of the ways we use to prosecute and promote good policy, specifically white and green papers?

Steve Bracks: I believe those processes should be used. Green and white papers are very useful things. I cannot understand why they are not used much more.

Policy is better if it is not developed in a vacuum and having positions canvassed and discussed is a good thing in building up a case. We are doing precious little of this around the country at the moment.

This process was behind the reform agenda we developed. We built up positions and arguments and then talked with interest groups, talked with other governments and attempted to build a consensus.

I would say these processes are very valuable but underutilised. We should be pursuing it much more.

Why do you think they are underutilised?

Steve Bracks: I think people are scared of offending constituencies.

We have somehow lost the will or ability to persuade and argue a case. I would hate to think what this current crop at the state or federal level would do if they had to face the issues we did in the 80s, of stagflation and a moribund economy. Would their response be just to accept it and moderate it a bit?

But to turn it on its head and to open up the economy took a level of persuasion that attacked vested interests. But that was ultimately successful.

I believe we need to get back to that.

How do we refocus people from their individual interest to the national interest?

Steve Bracks: By saying that it is in their self-interest. It is to their ultimate benefit to have a productive and effective economy and to embrace reform and change. Ultimately the states or territories will benefit.

Paul Keating used to say, reflecting earlier comments from Jack Lang, that there are two horses in a race and one is called self-interest. Always put your money on that one because you know it is trying.

You have got to point out the self-interest argument of reform and why it is in the interest of states to pursue it. I can see why in Victoria. We are a high wage and high cost state. We cannot simply compete in mass production, we need to move up the value chain. It is in our interest to do better, to be more competitive. That means superior infrastructure, so logistics can be better and why I support the NBN as it lifts us up compared with our international competitors. We should be much more advanced in our educational system, in skills development. So all these things are in the self-interest. But they could also be argued from the national interest as well. I do not believe we argue them at that level enough.

How do you go about creating a sense of urgency around these reforms?

Steve Bracks: That is the problem, isn't it? There is a reason we have seen atrophy and decay in the quality of public policy has been a sense of self-satisfaction. Since the reforms we had because of stagflation, the accord, economic reform and so forth, we have had a period of sustained economic growth. We didn't go down during the Asian financial crisis, we didn't go down in the tech wreck that occurred in the US, and we didn't go down in the Global Financial Crisis. There is no sense of urgency.

We squandered the proceeds of the mining boom by giving transfer payments to citizens as though they were entitlements on the tax base. Rather than putting it into areas that would increase productivity, such as sovereign wealth funds or other areas that would have helped that. We did none of that because of the self-satisfaction that, 'Oh, we are doing well'. I suspect that until we get that sense of urgency we will not get any momentum for reform and change. It was the sense of urgency that was present historically.

We did it because we thought it was necessary. That is why we promoted it nationally. It is just the self-satisfaction, not being forced into it and not having an urgent agenda that is driving the current poor quality of public policy.

It sounds like you made an internal case that created urgency for reform within Victoria by stating that you have gone to the limits of what you can do, this is what is necessary at the national level. If this is correct, could you elaborate on how you went about the processes of focusing on the challenge in that context?

Steve Bracks: Yes, it is correct. I had a view that because of the history of Labor governments in Victoria, which was minimal, we did not just have to manage well but we needed a forward agenda that was superior. Coming into government I was aware that in Victoria we had long periods without Labor governments. So we had a view publically that we were the default government occasionally but not the government long term. I wanted to change that.

That motivation was with me and was with my senior cabinet ministers. Part of that was having a motivation for a reform agenda that looked forward in Victoria that was about how we could sustain our economic growth and position ahead of the rest of the country. That was part the motivation, the weight of history.

You made comment about the fixation on the short term over the medium or long term. Do you think that is missing from good public policy?

Steve Bracks: Yes I do. Unless you have an external influence saying it is urgent to look at the long term because we have identifiable reasons to do so, then you need to create the environment.

You also need to have a pretty willing group of colleagues who are willing to go with you on the journey. Now I had a strong Treasurer in John Brumby, and a strong Minister and Deputy Premier in John Thwaites. I had a good group of people who were prepared to work together on the agenda. That is not to say there are not territorial issues.

In the early days of the national reform agenda I had a lot of scepticism from the Treasurer because he was advised by Treasury that this was a grab by some of the policy and political territory that otherwise Treasury would have. Now you have to get past that and the best way to do so is by running a good cabinet government and making sure you get those decisions done well. That reduces the territorial issues involved.

That will always happen, you will always get treasuries and other areas of government interfering with reform.

Do you feel the capacity to prosecute a reform agenda is diminished when you have very tight perceived partisanship?

Steve Bracks: It is true that the Hawke and Keating governments were blessed with bipartisanship because they were largely grabbing policy from the other side. Which the other side had not implemented. So that was convenient for them.

Bipartisanship is handy but not essential. I think that if you have a strong willed government and cohesion in the government and a capacity to persuade and explain, then you do not need that bipartisanship.

Is there any advice that you would give to a leader in approaching the office?

Steve Bracks: Yes, if you continually only worry about today you will not have a tomorrow. That would be the advice I give them. For example, the fact that we lost government after 11 years of government and lost by one seat and still have a Labor brand that is strong is because of deliberative actions of pursuing policies that were forward looking and that is part of the reason we are in that position.

Part of the reason NSW Labor is in the position it is because it was never interested in that. It was focused on the old NSW Labor Right perspective that you just do today what is necessary.

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