

MINORITY REPORT

Whilst agreeing with much the majority report, the evidence requires qualifications to some of the more important findings.

The majority report asserts that DFAT has been the subject of numerous reports in recent years. It fails to make clear that DFAT management and operations, as distinct from foreign policy, have not been the subject of an *independent* inquiry since 1979. The report by Dr Stuart Harris in 1986, as Secretary for Foreign Affairs, covers the subject matter but cannot be considered independent.

Many of the conclusions expressed in the majority report express an opinion that there have been problems in the past but there has been 'recent' improvement. Such judgements, on the evidence, may be considered generous in that it is too early to judge whether changes that have been made will be effective in the longer term.

It is interesting that all 34 promotions at Senior Officer Grade C level gazetted on 10 December 1992 were from internal candidates at DFAT. This clearly conflicts with statements in the majority report about opening the 'closed shop' at DFAT. The practice of promoting almost exclusively internal applicants raises concerns as to the quality of advice the Department is capable of giving in the absence of fresh perspectives from external recruits.

The 'recent improvements' assessments also overlook the role of external stimulus in leading to changes in DFAT management. The allegations made by the Officers Revolutionary Council and the investigation by the Australian National Audit Office (ANAO) uncovered weaknesses in DFAT's management systems. Other reforms have been implemented since the reference of DFAT's management and operations to the Standing Committee on Finance and Public Administration focused attention on criticisms of DFAT's management.

The making of unfounded allegations against individuals by the Officers Revolutionary Council cannot be excused. However, their role in initiating investigations should be recognised and the accuracy of some allegations should be acknowledged. The rapid restoration of officers found guilty of serious offences in relation to duty free cars in Jakarta, for example, which was criticised by the ANAO in December 1990, in relation to higher duties, had never been admitted.

The Department's failure to use internal audit to investigate the allegations raised by the ORC has also not been explained. There is little point in referring to the fact that many of the allegations were subsequently found to be without substance. The point is, why did senior DFAT management fail to involve internal audit when the allegations were first made? Maybe it was because of the failure of internal audit to uncover the problems in the first instance.

MANAGEMENT SYSTEMS AND PROGRAM EVALUATION

The Committee's approach to the terms of reference has given priority to the examination of the many serious allegations made against DFAT by the Officers Revolutionary Council/DFAT Reform Group. A major research effort by the Committee Secretariat and much of the time of the Committee in public hearings has been devoted to examination of the allegations.

Management systems have not been examined comprehensively by the Committee. The investigation of allegations led to the examination of a range of systems, but it is doubtful whether this provides an adequate basis for an authoritative assessment of DFAT's management systems overall.

The Australian National Audit Office (ANAO) in its examination of 77 allegations in 1990 reviewed a wide range of DFAT management systems. It concluded that DFAT's systems were basically sound, though there were several specific areas of weakness which needed to be rectified. It recommended taking another look at DFAT management systems in 12 months' time. However, this was not followed-up.

Personnel management, which is closely related to the fourth component of the terms of reference, dealing with morale, was given substantial coverage by the Committee. Particular systems dealing with control of resources were also given some coverage, but they had been dealt with more extensively by the ANAO.

Resource allocation was not examined by the Committee. In the submission by the Foreign Affairs and Trade Association (FATA), however, some important points were made about resource allocation. 'We are not sure we can identify in DFAT's management systems where strategic priority setting is made and, at the same time, resources reviewed and allocated - ie, the point where judgements are made about the effectiveness of programs, their relative priorities and how much of the Department's resources each

should receive.' (FATA Submission, p.7.)

Evaluation systems, which are closely related to the issue of resource allocation, are also given very brief treatment. The Committee noted the criticisms by ANAO of DFAT's initial resistance to the introduction of program evaluation. However, the Committee observed that DFAT had made considerable progress since then and did not dispute DFAT's own very positive assessment of its new evaluation capacity.

The Committee did, however, have available to it at least one useful example of DFAT's evaluation process. The Divisional Evaluation Report (DER) on the Overseas Information Branch, in relation to which the Committee had a variety of points of view to draw on, provides a basis for making a more independent assessment of the effectiveness of DFAT evaluation.

The comments on the draft DER by the staff of the OIB cast serious doubt on the approach by management to portfolio evaluation. They argued that the report was 'fundamentally flawed'. 'The widespread view within the branch is that many of the team's recommendations were pre-determined and superimposed on the data, rather than flowing directly from the team's findings'.

No member of the review team had expertise in journalism or any other aspect of public affairs and no member of OIB was invited to participate in the review. OIB staff have pointed to what appear to be serious methodological flaws in the selection of assessments of the Branch's function by its 'clients'.

The Committee has also queried the DER's findings regarding OIB: 'The review relied to a significant degree on the opinions of senior DFAT officers drawn from generalist areas of the former DFA'. The Committee, however, did not want to make its own assessment of the effectiveness of the OIB. Nevertheless, the evidence provided by the DER on OIB raises serious questions about the approach taken by DFAT management to evaluation.

The allocation of resources between trade and wider foreign policy objectives should also be questioned. The majority report stated that the Committee received 'no credible evidence that the amalgamation of the former Trade and Foreign Affairs departments has been any other than a success'. (Para 3.50.)

It would be more accurate to state that there was no suggestion that the Department

should be split up. This cannot be equated with a positive endorsement of the amalgamation. This was not considered by the Committee.

A proper judgement about this issue would need to look carefully at the role of the separate trade department before amalgamation and the trade policy development and implementation since amalgamation. Only then could an assessment be made of the success or otherwise of amalgamation.

Trade has two divisions devoted to it under DFAT. Prior to amalgamation, the Department of Trade had 6 divisions plus an additional officer at division head level in charge of a Coordination and Review office. One division was dedicated to bilateral trade relations. The status of bilateral trade relations under DFAT is open to serious question. The submission by the Foreign Affairs and Trade Association (FATA) reported that former trade staff felt that trade skills were undervalued in DFAT.

DFAT managers admitted that trade functions could be handled more effectively if greater resources were devoted to them. (Mr Woolcott and Mr Field, pp 77-81, February 7, 1992.) However, they did not explain how the balance of resources between trade and other functions within the Department is presently decided.

The Committee did not look at the issue of the way in which Austrade fits into the amalgamated structure. Austrade management structure differs significantly from that of DFAT. It is 'flatter' but has a substantially greater number of officers at the level equivalent to Deputy Secretary. Trade policy in DFAT has one officer at this level.

SECURITY PROCEDURES AND CUSTODY OF CLASSIFIED MATERIAL

Answers by DFAT staff to questions regarding one highly visible leak were evasive. The explanation provided by the Minister, hinting that another government may have been responsible for the leak, was unsatisfactory.

The lack of success of DFAT in discovering the source of leaks, apart from whistleblowers, is recorded by the Committee but attracts little comment. The Committee concluded that it 'has no reason to doubt DFAT's claim that its security procedures are sound'. DFAT pointed to a review of security procedures in 1991 and a new approach that was being implemented as a result. This was one of several instances of DFAT claiming the problem was in hand and there was no need to worry.

The view put forward by DFAT and accepted by the Committee that the level of leaks is tolerable because it represents only a small percentage of the volume of documents within the Department, misses the point. It must be acknowledged that leaks are damaging to Australia's interests and all efforts should be made for their prevention.

A leak on 27 May 1991 revealing DFAT speculation about the role of Singapore in giving military backing to the present military dominated regime in Burma is embarrassing to Australia and could undermine trust in Australia by the Government of Singapore and other governments in the regime.

A leak on February 5, 1992, caused serious embarrassment to Australia by revealing that DFAT considered that other ASEAN foreign ministers did not take seriously the views of the Philippines Foreign Minister, Raul Manglapus. There are numerous other examples that can be cited of such damaging leaks where Australia's credibility or reputation has been impaired.

A complacency in relation to preventing leaks is evident in a statement by Senator Evans on April 28, 1991: 'I've, of course, asked for a full report and I guess the usual suspects will be rounded up - with the usual results'. (Sunday Program, Channel Nine, April 28, 1991.)

Much more serious efforts are need to prevent leaks and to ensure those leaking suffer the consequences. The existing procedure described to the Committee had the appearance of going through the motions. The involvement of the Australian Federal Police gave the impression of dodging responsibility on the grounds that leaking was a crime. The AFP can act only on the information available from DFAT's systems and that seems inadequate.

OVERSEAS CONDITIONS OF SERVICE

It was clear from much of the evidence given to the inquiry that conditions of service overseas were a major cause of discontent within DFAT. There was consistent advice from FATA, the PSU and FSFA that lack of transparency in the basic allowance, the Overseas Living Allowance (OLA) was a fundamental problem that needed urgently to be addressed. The slow and cumbersome bureaucratic process for making changes in response to needs was also mentioned as a fundamental problem for morale by all parties.

Like DFAT, when faced with criticism of its performance, DIR's response was to point to recent changes already underway which would solve the past problems, which they seemed to reluctant to admit.

Within the constraints of the present Government approach to industrial relations within the public sector, the establishment of an independent bureau with representation from Overseas Operating Agencies and DIR, as recommended by the Committee, has some merit. It may avoid the cumbersome bureaucracy that has characterised DFAT's dealings with DIR which has no particular interest in the conduct of foreign policy. It would be preferable, however, to require DFAT management to set the terms and conditions of its staff serving overseas, subject to certain constraints, and to ensure that it can do this efficiently and effectively.

MORALE, STAFF PERFORMANCE AND ACCOUNTABILITY

The issue of morale was an important part of the terms of reference for the inquiry. DFAT's submission claimed that there was no morale problem in DFAT.

It argued that morale was much more complex than the level of 'internal complaint'. Rather, morale should be seen in terms of objective indicators such as rates of separation, lodgement of grievance appeals, levels of absenteeism etc. On the basis of these indicators, there appeared to be no problem (DFAT Submission, p.p. 72).

The submission by the Foreign Affairs and Trade Association (FATA) was in no doubt about the morale problems. FATA specifically blamed DFAT's management for the problems. It was 'largely from management's slowness to respond to change that most of DFAT's morale problems stem'. (FATA Submission, p.15.)

The FATA submission linked morale to the obvious issues arising from major changes affecting the Department over the last decade. The amalgamation with Trade and the abolition of streaming were two of the more obvious changes.

The PSU submission argued that 'morale among PSU members serving in DFAT is not particularly high'. (PSU Submission, p.17.) The PSU cited a long list of factors that could contribute to poor morale. Most consisted of the normal range of issues that any group of employees might expect management to be responsive to. Personnel management practices were given particular emphasis (PSU Submission, p.2).

The Foreign Affairs Families Association (FSFA) informed the Committee: 'FSFA does not believe that morale in DFAT is good, and to substantiate this claim relies on information from its highly developed network'.

In other words, both major staff organisations representing DFAT staff and the organisation regarded by DFAT as representative of DFAT families asserted that there were morale problems in DFAT. The fact that DFAT management tried to ignore or downplay such perceptions is itself an important part of the overall management problem in the Department.

In the course of the Committee's hearings DFAT made much of steps it had taken to improve personnel management and the statements from witnesses about improvements were taken by the Committee to mean that the situation had improved substantially. 'Most of the evidence, however, indicated recent improvement'. (Para 10.9)

DFAT and the Committee have agreed that morale is intangible. There is little point in trying to assess it through personnel statistics, which could reflect the influence of a wide variety of more tangible factors, not the least of which is the unemployment trend over the last two years. The question that needs to be addressed is whether the fundamental problems that gave rise to questions regarding morale have been addressed.

The reference of the problems concerning DFAT management to the Senate Standing Committee on Finance and Public Administration was moved two years ago, in December 1990. Since then, DFAT management has spent considerable effort in responding to problems. The inquiry itself seems to have spurred responses on many issues, not only by DFAT, but also by other agencies such as DIR. It is less clear, however, that the fundamental problems which were at the root of the low morale have been addressed.

The two fundamental problem areas which need to be addressed are:

- (i) Conditions of service issues, in relation to which the Committee has made recommendations to achieve improvements.
- (ii) Personnel management issues relating to recruitment, promotion and personnel development, which are dealt with further below.

Recruitment and Promotion, the Specialist/Generalist Debate

Much of the Standing Committee's inquiry has been devoted to the issue of destreaming. Undoubtedly, it is closely related to the issue of morale and the role of recruitment and promotion practices in the Department. However, it is important to be absolutely clear as to what is meant by destreaming and multiskilling.

Destreaming in DFAT may refer to:

1. The removal of distinctions between keyboard staff and general clerical officers.
2. The abolition of the Consular and Administration (C&A) stream and the Diplomatic stream.

The first change was a service-wide reform, embodied in the Office Structures Review, the second entirely a DFAT phenomenon, with many more implications for the management and operation of the department than the keyboard staff changes.

The term multiskilling is sometimes applied to both forms of destreaming but it means quite different things in the two contexts. In the one case, it refers to all staff learning some keyboard skills and specialist keyboard staff expanding their range of skills to cover a broad range of clerical skills. The merits of this change have to be looked at service-wide and it seems to have had little special impact on DFAT.

The breakdown of the 'caste' distinction between C&A and Diplomatic officers involves Diplomatic officers learning management skills, while C&A officers take up political analysis. As the Committee report observes, the catch-up task is considerably easier for the Diplomat. Not surprisingly, not all C&A officers have made the transition to multiskilling and many of those who have may now be finding that their promotion prospects are not good. There is little point in quoting average promotion statistics to these individuals.

The majority of the former C&A stream who have witnessed Diplomatic officers taking up key senior positions in the Canberra administration that would formerly have been reserved for candidates from their ranks, are understandably concerned.

The fact that DFAT management has failed to recognise this problem has exacerbated

its severity. At best it has led to a belief that DFAT management does not care. At worst it has fostered the paranoia reflected in DFAT Reform Group allegations.

To cater for former C&A stream officers wishing to up-grade so as to qualify for policy positions, DFAT has sponsored the Associate Diploma in Foreign Affairs and Trade. (It is based on similar units to those undertaken by DFAT graduate intake recruits for the award of a Graduate Diploma.) Some officers may have doubts, however, about the recognition a TAFE-level qualification will be given in a department with a past history of elitism based on high academic qualifications.

There is a danger that many of the management skills and experience of former C&A stream officers may be undervalued. Some issues examined by the Committee cast doubt that former Diplomatic stream officers were adequately equipped to handle senior administrative functions.

The handling of the breach of duty free car purchases by former Ambassador Brian Burke revealed poor management skills by very senior DFAT managers. Procedures adopted were clearly different to those followed in relation to allegations concerning at least one other head of mission. The account of the handling of the Burke allegations given by senior management to the Senate Estimates Committee was misleading and concealed serious deficiencies in DFAT's handling of the matter.

Similarly, the account by DFAT senior management of its role in the provision of security to foreign diplomatic missions following the attack on the Iranian Embassy on April 6, 1992, was evasive and failed to recognise DFAT's responsibilities.

The Committee recognised the problem of the perception by C&A officers that their career prospects have been eroded. What is needed is a clear indication by DFAT management of the value it places on the current skills of all DFAT officers, the additional skills they need to attain to further their careers and guidance on how they might be able to achieve their goals.

The FATA submission recommended the establishment of a 'Departmental skills register, based on short and long term Divisional needs'. Such a register would allow Management to gear its recruitment and promotion practices to transparent objectives. From the individual's point of view, career development decisions could be based on a clear understanding of the requirements for various career options.

At present, DFAT fills some specialist positions on the basis of specialist qualifications -

for example, positions requiring legal training - but most are filled by the 'bulk promotion' rounds. The latter are filled on the basis of generalist qualifications. Given that the successful promotees will be part of a pool from which they may be assigned to a wide variety of positions in Canberra or posted, the need is for versatility and adaptability.

Within this system, no explicit recognition is given to skills relating to geographical specialisation, trade policy or consular functions. When positions overseas calling for these skills are filled, some consideration may be given selecting candidates on the basis of such skills, but they are not a formal part of the promotion assessments.

The career development structure included in DFAT's submission (Annex 2) makes no reference to specific skills relating to geographical knowledge, trade policy or consular functions. They are generic public service criteria with almost no reference to DFAT's functions. At the Senior Officer C and B levels there is reference to ability to 'develop and implement strategies for the Government's trade and policy goals'.

The language skills of DFAT officers as recorded in the 1990/91 Annual Report give some insight into the results of lack of career planning. In 1991, DFAT had 142 officers with professional proficiency in French and 48 in German, but only nine with that level in Thai, eight in Korean and two in Vietnamese.

Trade skills are harder to check, but the FATA submission recorded the impression of many DFAT officers that 'trade policy skills are not valued sufficiently highly by DFAT and that 'dedicated trade skills at senior levels are eroding as officers either leave DFAT or seek to become "multiskilled" with a mix of trade, foreign policy and administrative experience'. (FATA Submission, p.5.)

Consular skills are also not documented. DFAT's submission mentions training for consular work, but it does not say anything about the role of experience in this area. There is clearly a danger that consular skills will slip in priority with the abolition of the C&A stream.

Consular functions are important. As Australians travel overseas in increasing numbers it is vital that we have a highly competent consular service. The provision of such services requires knowledge of a wide range of legal and practical matters grounded in extensive experience. This calls for carefully structured training programs and taking steps to ensure that there is a cadre of officers with sufficient experience to fill senior consular

jobs overseas.

There is nothing to indicate that DFAT now places adequate value on specialist skills or that it has any systematic approaches to encouraging officers to make career development decisions which will increase the stock of key skills in the Department.

The need for specialist skills should be part of a far more transparent approach by DFAT management to personnel management.

The PSU submission said to the Committee: 'Personnel management practices in DFAT must be improved to ensure fairness, uniformity and compliance with equal employment opportunity principles'. (PSU Submission, p.2)

The DFAT staff circular attached to DFAT's submission to the Committee made clear the importance to DFAT management assigned to versatility and generalist skills. The circular also announced that, contrary to an earlier undertaking to promote all candidates selected by Selection Advisory Committees, the Secretary would ask for a list of candidates with strengths and weaknesses identified, rather than 'a list in strict order of merit'.

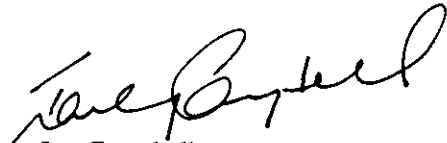
The Secretary acknowledged that 'officers will be concerned to know, to the greatest extent possible, the details of how this system would operate'. An undertaking was given that measures 'for ensuring broad confidence' would be considered. The possibility of the addition of a 'skill-based' criterion to ensure 'there can be no doubt that different types of functional expertise have equal weight in our promotions process' was also flagged.

It is clear from this circular that there is an awareness of the problems facing DFAT which have been the source of some signs of poor morale. However, it makes promises rather than providing clear guidance as to how the promotions process will be managed.

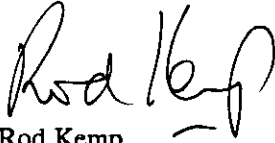
While not recommending a return to streaming, DFAT needs to take steps to ensure that it has at all levels a balance of the specialist skills needed to operate efficiently and effectively. DFAT management should ensure that DFAT staff have access to clear guidance in relation to all personnel management issues, including the following:

- the linkages between personnel development and recruitment, promotion and placement (including posting) of officers;

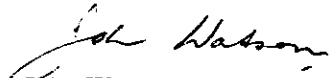
- . the balance of skills which the Department considers essential for professional performance;
- . the role which a 'skills register' plays in all aspects of personnel management;
- . job specifications as these relate to the Department's functions.



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