

# **The Two Cultures Re-examined:** **A Perspective on** **Leadership and Policy Management** **in Business and Government**

by  
**Philip M. Burgess**

## **C O N T E N T S**

<b>Item</b>	<b>page</b>
Introduction.....	2
Overview and approach.....	2
The two cultures of business and government.....	3
The public order and the civic order.....	6
The political cultures of the US and Australia: A case study.....	7
Leadership profiles in the US and Australia.....	15
Telecommunications regulation in the political culture of Australia.....	20

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**2008 ANZSOG Public Lecture Series**  
**Australia and New Zealand School of**  
**Government (ANZSOG)**  
**Canberra, Australia**  
**30 April 2008**

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**Philip M. Burgess<sup>1</sup>**

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## **Introduction**

Thank you Allan Fels and John Wanna for your kind invitation to speak here tonight...and thanks to you all for coming. I took advantage of the long ANZAC weekend to work on my remarks...a testimony to Parkinson's Law that the length of a paper expands to the time available to write it.

I assure you my remarks will only summarize my paper, so fear not.

## **Overview and approach**

It is a great privilege to come to the Australian National University (ANU) and to participate in the Lecture Series of the Australia and New Zealand School of Government (ANZSOG).

I spent the first 15 years of my professional life as an academic. I like teaching and I like research...and, most of all, I like the academic life of give-and-take, so I always enjoy coming back to a university setting.

John's letter of invitation to speak here tonight said, "pick an area of your experience or a topic of your choice." What a gift, I thought. So, I decided to **take this opportunity to reflect on my experience with issues of governance** – working for many years in the academy as a **teacher and researcher** and for many additional years working in the enterprise sector as a **practitioner or clinician** in the US, East Asia, Europe and of course Australia where I have now been for almost three years. Based on these experiences, I will make some observations about the key differences between **public and private sector decision-making** and **differences in the political cultures** of the US and Australia as they relate to public policy making.

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<sup>2</sup> This paper and my remarks are my personal views and are not necessarily the views of Telstra Corporation Ltd. nor of the Public Policy & Communications group that I lead.

## The two cultures of business and government

For a long time I have been fascinated by the **decision-making environments of public administration and business administration**. I believe the differences between the “two cultures” are much more important than the similarities.<sup>3</sup>

As shown in more detail in Appendix A, these differences are many. For example:

1. **Goal setting** in the enterprise sector – to delight customers and reward shareholders – is relatively narrow compared to the comprehensive “public interest” objectives pursued by government.<sup>4</sup>
2. Enterprise sector leaders almost always enjoy the **support and encouragement of their policy board**. By contrast, public sector leaders are nearly always opposed by a vocal

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<sup>3</sup> C.P. Snow, *Science and Government*, New York: Signet, 1961 is a book I read as a graduate student that “stuck” – having an enormous impact on my thinking over the years about the barriers to communications that arise out of role requirements and role differentiation. Lord Snow had a distinguished career in the public service of the United Kingdom, holding senior positions as technical director of the Ministry of Labour from 1940 to 1944; as civil service commissioner from 1945 to 1960; and as parliamentary secretary to the Minister of Technology from 1964 to 1966. See also Snow’s *The Two Cultures* (1959) and *Corridors of Power* (1963).

<sup>4</sup> **Turning consumers into satisfied customers** often involves many other activities – R&D, innovation, re-engineering, employee training, product development, and the like. **Increasing shareholder value** involves planning for future growth, recruitment and retention of talent, mergers and acquisitions, and the like. Still, compared to the public sector, the focal objectives of the enterprise sector are relatively narrow. **However, it should be noted that the corporate social responsibility (CSR) movement is advancing broader diversity, environmental, and other stewardship objectives for “the big end of town”**. On this point, see Phil Burgess, *When more than money matters: Perspectives on the CSR movement*, paper prepared for *Corporate Citizen Magazine* (forthcoming), a new publication targeted to Australian readers. At the same time, budget problems, challenges to economic growth, and changing ideas about what governments can and should do (and not do) are leading *some* governments to privatize or otherwise scale back selected domains of government involvement.

segment of their policy board – the legislature – which tries to embarrass, trip up or otherwise undermine the authority and standing of the leader.<sup>5</sup>

3. Enterprise leaders have enormous **control over the decision process** – the who, what, when, and how of decision-making. The CEO can decide who will participate on what issues at what time and in what arena.<sup>6</sup> Public sectors leaders do not have this kind of control.<sup>7</sup> In the public sector, there are process requirements (often referred to by the public as “inflexible”, “by the book”, and “bureaucratic”). They are, of

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<sup>5</sup> Consider how nervous many enterprise leaders are with the Annual General Meeting (AGM), where they have to face the shareholders. Political leaders have to deal with this every day the legislature is in session...and on others as well. The AGM is an issue because in Australia (and elsewhere) **publicly-held companies are facing increasing scrutiny and deeper questioning** from shareholders and the wider community. This is happening for a variety of reasons: **Nervousness** – owing to widespread volatility in global and Australian equity markets, including, for some shareholders, sustained losses and negative growth. **Mismanagement** – including Enron and WorldCom in the US and HIH, Opes Prime, Lift Capital and other Australian examples of corporate bankruptcy, corruption, or malfeasance that leave shareholders high and dry. **Loss of trust** – in leadership, including corporate directors and top executives, and processes of corporate governance that should – but too often fail to – protect shareholders, the public, and the integrity of the market system. I also have to say, **the opportunity to abuse leaders is also an important function of the AGM**. And why not? On stage at the AGM are men and women who make a lot of money running a company. But they do it on behalf of shareholders, so the work they are doing involves **spending other people’s money** over which management and the Board have considerable discretion. Corporate types may consider it a job, but **spending other people’s money is a great privilege**. It is one where we have legal and fiduciary responsibilities. So we need to accept the discipline of **personal accountability**... even the pain and suffering of **personal abuse**. There are very few corporate leaders – directors or managers – who suffer from excessive humility. A little humble pie now and then nourishes the soul – so for that reason alone we need the AGM. On these points see Phil Burgess, *On Selling Tickets to a Chook Raffle and Other Lessons from the AGM*, Paper prepared for the Fifth Annual Symposium on the AGM, Sponsored by Chartered Secretaries of Australia, meeting in Melbourne & Sydney, 5-6 April 2006.

<sup>6</sup> At the same time, the enterprise sector has its own constraints – disclosure requirements, the need to pay attention to the time-value of capital, and other considerations – leading **CEOs and other enterprise leaders to operate by a “clock and calendar” that is largely invisible to the public sector**. And when the “clock and calendar” of the enterprise sector are visible, public sector leaders are often indifferent – or appear to be indifferent, perhaps because they are constrained by the imperatives of the often inflexible process rules of government. **Result: One side (the private sector) is viewed as “impatient” while the other (the public sector) is viewed as bound in “red tape” and “process paralysis”**. It should also be emphasized that **the CEO and the board have somewhat less freedom to set rules if the enterprise is part of a heavily-regulated industry**...such as telecommunications, rail and trucking, electric power, health care, etc. – and, in some cases, considerably less.

<sup>7</sup> The **legislature** (e.g., Parliament or Congress), **media** (both mainstream and new media, including the Internet, blogs and social media, such as YouTube), **legislated and constitutional procedural mandates** for record-keeping, inquiries, appeals, and other organizational, legal, and due process requirements, **FOI vulnerabilities**, and political parties, public interest groups and other **stakeholders** – all limit the ability of public sector executives to shape the decision process.

course, understandable because democracy is about a process, not outcomes.<sup>8</sup> It is about things like “one man, one vote”, due process, reasonable doubt, majority rule, right of appeal, and other process requirements that are central to an accountable democratic government – and **these are the process requirements and constraints on government that are often not understood or appreciated by the private sector** (or the general public, for that matter).

4. Enterprise leaders have substantial **control over staffing** and other “factors of production”;<sup>9</sup> public sectors leaders are much more constrained in the hiring, sacking, and assignment of people as the “spoils system” has been replaced largely with “merit systems” for the recruitment of civil servants to the public service.<sup>10</sup>

As a result of these differences, **there is a lot of room for misunderstanding between the wealth-creating institutions of society (e.g., corporations) and the institutions of government.** It is often difficult for the CEO and his or her enterprise leadership to understand and take account of the fact that the public sector leader typically needs:

- **cover** – i.e., a “public interest” or “creative” rationale – for doing something that involves or benefits the enterprise sector; because everything is public and the mission of the public sector is the public interest; because the public is often sceptical (not without reason) of government-business relationships, a public interest cover is required.<sup>11</sup>
- **time** – because public leaders need to make sure key stakeholders are on board. This is a process that takes time, especially when some have a formal or informal “veto” power.

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<sup>8</sup> An old saw says, **“If you want to get along with a bureaucracy, just play by its rules”**. Translated, that means to do what it says to do...when it says to do it...and how it says to do it. That works until the realities of financial markets, the consumer marketplace or developments in technology or the requirements of justice run counter to or up against the rules of the bureaucracy. When that happens, something has to give...and reform is often the response. **When reform does *not* come about, we get “government failure” (in contrast to “market failure”)** as something else has to give – such as exports, GDP growth, per capita income growth, quality of life, or other opportunity costs. Telecommunications and coal exports are both examples where Australia has paid huge opportunity costs of “government failure” by not reforming regulations to keep up with market and technology developments. See Telstra chairman Donald McGauchie, *Industry Policy: Good intentions and failed outcomes*, Background paper for speech delivered to the Australia-Israel Chamber of Commerce (AICC) in Melbourne, 30 July 2007.

<sup>9</sup> The factors of production traditionally include **land and natural resources** – i.e., naturally-occurring goods such as water, air, soil, mineral deposits, flora and fauna used in the creation of products; **labour** – i.e., human effort and expertise used in production, including technical and marketing expertise; and **capital stock** – i.e., human artifacts or means of production (such as machinery, tools and buildings...and money) that are used to produce other goods.

<sup>10</sup> In polite company what is called the “spoils system” by government – as in “to the victor belongs the spoils” – is called the “rotational system” by the enterprise sector.

<sup>11</sup> That means **the value of initiatives must satisfy national needs and multiple stakeholders**...and that expanded or “spill-over” value is not always self-evident to stakeholders, opinion leaders or the public. Therefore the **public interest value must often be spotlighted or amplified.**

- **occasions for decision** (or decision situations) that bring **distributed benefits** (what the game theorist calls “side-payments”) for relevant stakeholders – because the building and maintenance of coalitions require benefits (what the game theorist calls “pay-offs”) for everyone participating in the winning coalition. That’s why results-oriented political leaders seek minimum winning coalitions.<sup>12</sup>

**These decision-making needs of the public manager** – for a public interest rationale, time, and a distributed benefits to players beyond the buyer and the seller – **are not a typical consideration to the “let’s do it now” orientation of most enterprise leaders** who focus on outcomes and value results and often devalue or don’t understand process requirements of coalition-building.

**Therefore, we should not be surprised that the two sectors sometimes find themselves on a collision course** – and occasionally even collide, usually with a loud crash, when it happens. And we should also not be surprised that **the two cultures often find it hard to cooperate**.

**The two cultures of the enterprise sector and the government will never be totally comfortable with the other.** Nor should they be. They have different missions and a different *modus operandi*. Instead **they should make things work in the context of a healthy tension**.

## The public order and the civic order

But let’s look more deeply at the public policy-making equation in a democracy – one that involves a relationship between:

- the **public order** – which includes **government** and other public authorities (legislative, executive, judicial, and quasi-judicial regulatory agencies) at every level, and
- the **civic order** – which includes the **private or enterprise sector** (e.g., business enterprises) as well as **voluntary and non-profit organizations** such as neighbourhoods, sports clubs, peak industry associations, think tanks, service clubs, churches, mosques,

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<sup>12</sup> **Smart political leaders build and maintain minimum winning coalitions, not grand coalitions.** See William H. Riker, *The Theory of Political Coalitions*, (New Haven: Yale University Press, 1962), a transforming study in political science that had a great impact on my thinking from my days as a graduate student at The American University. In *The Theory of Political Coalitions*, Riker deduced the *size principle*, introducing the idea of *minimum* winning coalitions in electoral and legislative politics. The size principle states that in N-person, zero-sum games, where side-payments are permitted, where players are rational, and where they have perfect and complete information, only minimum winning coalitions occur. Because information is seldom perfect or complete in the real world, political leaders tend to build larger than minimum winning coalitions. But their temptation is to buy too much “insurance”, forging, instead, grand coalitions that cannot be maintained or that are maintained at the cost of paralysis. I recall one very successful elected leader, a US governor, who once reflected that in a state of several million, “there are 287 people and 11 organizations where I keep my finger on the pulse.” That was his minimum winning coalition...and he did not need *all* of them *all* the time. He needed some all the time and all only rarely.

synagogues, centres for the performing arts, museums and other cultural resources — indeed, **all the things voluntary associations do.**<sup>13</sup>

**A strong civic order is a key element of a healthy and resilient democracy. The enterprise sector is a key element of the civil society – not the least because it includes the primary wealth-producing institutions of society.** Hence the domination of one over the other – in either direction – is not good for democratic governance, and we should all work to keep the public-civic relationships in balance.

**In my view that relationship is out of balance in Australia, where the public order dominates the civic order** through agenda-setting, money, habits, and expectations.

## **The political cultures of the US and Australia: A case study**

I have been in Australia for 34 months, having arrived in Sydney on 4 July 2005 expecting to stay only a month or perhaps two at the outside.

The **first question** people typically ask is, “How do you like it here – or **what do you like most about Australia?**” That’s easy.

- **The people** – the upbeat, curious, welcoming, and down-to-earth character of the people,
- **The dominant values** – like “mateship”, “a fair go”, and a willingness to call “rubbish” for what it is; the “no worries” spirit that embodies a forgiving temperament and gives people a lot of latitude; the “good onya” that encourages, heartens, gives confidence and shows appreciation; and the whole concept of “stuffing it” that shows an ability to impose standards without disparagement; and
- **The breath-taking natural resources** – the land, the flora and fauna, the coastal waters<sup>14</sup> and...the mines. I love mines...especially open-pit mines.<sup>15</sup>

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<sup>13</sup> On the distinction between the civic order and the public order, see the writings of Harold D. Lasswell – for example, Harold D. Lasswell and Abraham Kaplan. *Power and Society: A Framework for Political Inquiry*. New Haven: Yale University Press, 1950; Daniel Lerner and Harold D. Lasswell. *The Policy Sciences: Recent Developments in Scope and Method*. Stanford: Stanford University Press, 1951; Myres McDougal, Harold D. Lasswell and Ivan A. Vlasic. *Law and Public Order in Space*. New Haven: Yale University Press, 1963; Harold D. Lasswell. *A Preview of Policy Sciences*. New York: Elsevier, 1971; . Robert Rubinstein and Harold D. Lasswell. *The Sharing of Power in a Psychiatric Hospital*. New Haven: Yale University Press, 1966.

<sup>14</sup> I am a sailor. I love to “mess about in boats,” as Kenneth Grahame, the venerable English writer, put it in *The Wind in the Willows*, his 1908 classic that reflected a new way to look at the world. So living on a large island between the Pacific Ocean and Indian Ocean suits me fine.

<sup>15</sup> I used to teach at the Colorado School of Mines and worked a lot on coal exports. I have to say, I love to visit large open-pit mines, as I have done in Australia – from the coal mines in Queensland and NSW to the awesome gold mine in Kalgoorlie. See Phil Burgess (ed.), *Western Coal Exports and Pacific Rim Markets*. New York: McGrawHill, December 1981 (6 vols.).

Invariably, the **second question** people ask is, “What has been your biggest surprise since arriving here?” Then they often give me “hints” – like:

- “You’ve taken some baths in the **media**, mate? Wasn’t that a surprise?”
- “**Politics** here are pretty ‘rough’ don’t you think? Were you prepared for that?”
- “I’ll bet you’re surprised how well-known **your 88 year-old mum** became in such a short time?”

I have to say **the media haven’t been a surprise**. I have spent most of my professional life in public positions so playing the role of the spear carrier – with the spears sometimes in my back – is something I’m used to.

**Nor have I been surprised by the politics**. For 15 years, during the academic part of my career, **I taught comparative politics**. We always covered the **various forms of parliamentary government**, including the **Westminster system** practiced in the UK and throughout most of the Commonwealth.<sup>16</sup>

Put another way, I understand very well the differences between the presidential system of the US and the parliamentary system of Australia – and I especially understand how the **“fusion of powers” in the parliamentary system concentrates enormous power in the hands of a minister**. That is very different from the US.<sup>17</sup>

In the presidential system, as most of you know, the cabinet secretary is one voice among many. He or she has enormous influence, to be sure, but is **hemmed in on all sides by the realities of the “separation of powers” – a design principle invented by Montesquieu but first put into practice in the American Constitution of 1789**.<sup>18</sup>

**In the US system, if you don’t like what the cabinet secretary is doing, you have many options** – the most important of which include going to the White House or to Congress.

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<sup>16</sup> The Westminster system, a series of procedures for operating a legislature, is used in most Commonwealth and ex-Commonwealth nations, originating in England and then transported first to the Canadian provinces and other colonies in the mid-19th century. It is also used in Australia, India, the Republic of Ireland, Jamaica, Malaysia, New Zealand, Singapore, and Malta. Parliaments of Italy, Germany, and Japan that take a different approach to parliamentary rule.

<sup>17</sup> In fact, I was amused to read a commentary this past weekend in *The Australian* where the writer talked about the “strong” executive in the US v. the strong Parliament in Australia. In fact, it is just the opposite. The US has a relatively weak executive compared to almost any parliamentary system, where the executive controls the parliament through the party system, as it does in Australia. Sen. Barnaby Joyce gave an insightful talk on this issue nearly two years ago, lamenting how the role of the Senate in Australian policy making has been fundamentally altered and weakened by Australia’s strong party system – a diagnosis that seems spot on to me. Barnaby Joyce, *Crossing the floor: Political hero or renegade?*, Address to the Law Institute of Victoria, 26 July 2006. Available at <http://www.barnabyjoyce.com.au/news/default.asp?action=article&ID=170>.

<sup>18</sup> **America’s Founding Fathers were deeply fearful of lodging too much unchecked power in the hands of one person or one institution**, a view that is expressed most forcefully and persuasively in *The Federalist Papers* by James Madison, Alexander Hamilton and John Jay. See especially *Federalist* #51.



**When you go to Congress, you have 12 choices to go after a Minister's decision.** You can go to the department's oversight committee in the Senate, or the House that might be chaired by the opposition, or the authorization or appropriations committees that provide the department's money.<sup>19</sup>

**These are each separate political systems, each with its own power structures and own rules** – each of which is a constraint around the neck of the cabinet secretary. I must say, in passing, that **my experience here has given me a new appreciation of Montesquieu's genius.**

And, of course, in the US, **every major issue area is surrounded by a “permanent” campaign** that includes

- research-based **professional messaging,**
- **tracking polls,**
- **the segmentation and clustering of constituencies,**
- massive and on-going **constituency lobbying,**
- **targeted advertising** and messaging in the mass media,
- wide use of **new media** such as the Internet (blogs, podcasting, social media such as YouTube) and talk-back radio, and
- **direct lobbying** of the principals.<sup>20</sup>

**Punchline: The enormous concentration of power in the hands of the minister limits the give-and-take that you normally ascribe to good policy-making.** When the minister is against you, your options are limited to what I call “the four strategies” or “four options” – sit, fight, join, or run:

1. **accept** the “verdict” of the Minister (sit)
2. **appeal** to higher authority – e.g., to the Prime Minister or Cabinet [or] appeal to the people because in a democratic society the people, in the final analysis, call the shots (fight)
3. **grin and bear it,** retreat, or buy time until something changes – but don't make waves (join)
4. **pursue strategic alternatives,** go do something else, seek progress in other areas (run)

In the case of the National Broadband Plan proposed by Telstra in August and September of 2005, when faced with ministerial opposition to broad banding Australia with fibre and other fixed-line assets, we invoked three of the four options:

- **Option #1 (sit): Not in the cards.** The verdict was unreasonable; it was not in the company's interest nor, in our judgment, the national interest to delay broadbanding the nation. Broadbanding the nation is so important to Telstra's future and to the future of

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<sup>19</sup> You can also go to an oversight, authorization and appropriations committee on both the Senate and House sides...and then choose between the Republican side or to the Democrat side. So in Congress alone you have 12 options if you are having a problem with a Minister or his or her department. **Plus you can always go to the White House staff and to the party apparatus. So, there are at least 14 appeals to a Minister's decisions.**

<sup>20</sup> The opportunity provided by an on-going issues campaign to advance public education and encourage broad public participation in the resolution of political issues seems to be missing here, though I understand it has surfaced in the past around important issues – one of which I will discuss later.

consumers and businesses that we could not abandon the national broadband plan even though it was temporarily delayed by a recalcitrant government and regulator.

- **Option #2 (fight): We appealed to the PM.**<sup>21</sup> To his credit, he listened, but did nothing to over-ride the recalcitrance of the regulator and the Treasurer.<sup>22</sup> **Subsequently, we decided to up the ante with an appeal to the common sense of the Australian people.** We informed and educated people through our *Broadband Australia Campaign* – called BACK. We mobilized people through *Telstra Active Supporters* (TAS). We did all of this using our alternative web site – **nowweareretalking.com**, the nation’s first corporate alternative web site – and other channels, including:
  - **direct mail to shareholders**, who have a big stake in what the government does that might devalue shareholder value;
  - **personal visits by Telstra executives** to more than 100 communities to get our story out (I personally visited 54 communities during the nine-month campaign),
  - **op-ed commentaries** in mainstream national media as well as regional and local print and electronic media.<sup>23</sup>
  - As a result of these initiatives, **we were able to increase awareness and interest in broadband** from the single digits (7% in one early poll) to more than 60% in about 6 months. Then the broadband issue was picked up as a campaign issue and public awareness and interest soared.
- **Option #3 (join): Not in the cards.** There was no reason to believe that anything would change by waiting. The regulator, key ministers, and the bureaucracy were totally focused on privatization and had no policy or even imagination beyond that.
- **Option #4 (run):** When we hit a dead-end with appeals to Government, we decided to **move to the largely unregulated wireless space to build a nation-wide high-speed broadband network.** We call it Next G™. It is now the world’s largest, fastest, and most advanced wireless broadband network. We initiated the project under the radar, with no fanfare as it became increasingly clear that Government would drag its feet on the issue of terrestrial broadband.

**Now, let me turn to the “roughness” of politics** in Australia, I was not surprised because we have a saying where I come from that “politics ain’t beanbag.” I’ve learned that is also the case

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<sup>21</sup> At that point in time, John Howard.

<sup>22</sup> That is, respectively, Graeme Samuel and Peter Costello.

<sup>23</sup> Many of these campaign techniques have their roots in the work of the Clapham Circle, an extremely influential civic leadership coalition lead by William Wilberforce in late 18<sup>th</sup> and early 19<sup>th</sup> century England – and the precursor of the Victorian Age reforms. See Phil Burgess, *Removing the Shackles: Wilberforce, Civic Leadership and Faith-Centred Social Reform*, Background paper prepared for the keynote address for *A Winter’s Tale*, Anglicare annual meeting, at the Westin, Sydney, Australia (29 June 2007); see also Phil Burgess, *Embers, Firecrackers & Bunker Busters: Nonprofits and Policy Innovation in America*, Annual Advisory Committee Lecture at UCLA School of Public Policy & Social Research meeting in Los Angeles, California (29 April 2004).

here. I think politics is rough everywhere – and, in a way, it should be. After all, a lot is at stake.<sup>24</sup>

So even though there are differences, the **media and the politics have not been a surprise**. However, there have been **two other surprises**.

First, I have been **surprised by the lack of interest in real dialogue and debate** by public authorities – regulators, elected official, and public servants – with the industry on matters that extend beyond laws and regulations. When we tried to have these discussions under the previous Government,

- political operatives said their hands were tied by the regulators;
- regulators pointed to the ministers;
- ministers pointed to the departments;
- the departments either went dark or gave a routine defense of established positions...and that takes us full circle to the four options – which are now down to two: grin and bear it and/or mobilize the public.

The lack of dialogue between government and business is not ever a healthy situation – but especially not in a sector characterized by **intense global competition<sup>25</sup> and rapid technological change.<sup>26</sup>**

**My view is this: When people disagree, we should welcome argument and seek to resolve it**, relying as much as possible on **facts, data, and reason** – pushing emotion and prejudice as much as possible into the background. That way, more times than not, we will reach the right decision. And if we don't, we fix it.<sup>27</sup>

There was a **second surprise**. **I was gobsmacked by the timidity of civic leadership and the lack of robust civic institutions** in Australia.

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<sup>24</sup> Let's not forget that governments are the only institution in society that can legally take away our freedom and our wealth...and in some countries with the death penalty, our life. That's what sovereignty means. So politics should be rough.

<sup>25</sup> Though it doesn't get much traction with ministers, public servants, or the media, the major threats to Telstra's future are not Optus and AAPT. The major threats are Google, Yahoo, Microsoft and other off-shore enterprises. Achieving a common understanding about what the future holds is one of many important reasons why there should be a steady and continuing dialogue between industry and government.

<sup>26</sup> Just think of what you can do in the digital space today compared to five years ago. Yet, in 2005, we at Telstra were told there would be no changes to regulations for five years. Five years is a life time in sector driven by changing technology, changing consumer preferences, and a changing competitive structure. For example, who would have thought five years ago that by 2009 that 99% of consumers and businesses in Australia would have access to 21 Mbps over the mobile internet called Next G™?

<sup>27</sup> In short, **we find truth in a free society by mixing it up in the marketplace of ideas** – and if we don't **find the truth**, then we can at least **find an approach** or a policy that will provide the greatest good for the greatest number. As **Winston Churchill** famously said, “Democracy is the worst form of government except for all those others that have been tried.” Actually Churchill was sometimes ambivalent about democracy. He also said, “The best argument against democracy is a five-minute conversation with the average voter.”

**Put another way, I am most surprised that think tanks, peak industry groups and other non-governmental organizations are not more assertive about the work they do addressing many of the critical issues of the day.**

Many of these issue areas, where decisions will have an impact for generations to come, are too important to be left to governments.<sup>28</sup> **They deserve broad public dialogue that is both civil and informed.**

I believe that **democratic societies are stronger when the civic order can challenge the public order.**<sup>29</sup>

The civic order must provide venues where serious people can come together to investigate and **discuss issues of national importance around the rule of reason informed by facts and data.**

In Australia, there are many, though not an abundance, of what I call “civic leadership institutions” that do very good policy research and hold forums where serious people can come together to address issues of national importance.<sup>30</sup> Examples:

- There are **international think tanks** such as the Lowy Institute for International Policy (Sydney) or the Australian Institute for International Affairs (Canberra).
- There are **domestic policy think tanks**, such as the Institute for Public Affairs (Melbourne), the Tasman Institute (Melbourne) and the Australia Institute (Canberra)...and new ones on the drawing boards.<sup>31</sup>

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<sup>28</sup> For the role of think tanks in Australia, see I. Marsh, “The Development and Impact of Australia’s Think Tanks.” *Australian Journal of Management*, (December 1994); Georgina Murray and Douglas Pacheco, “Think Tanks in the 1990s” and “The Economic Liberal Ideas Industry: Australasian Pro-Market Think Tanks in the 1990s,” *Journal of Social Issues*, May 2000; and Sharon Beder. “The Intellectual Sorcery of Think Tanks.” *Arena Magazine* (June/July 1999). For an outstanding study of the role of think tanks in the US, see James A. Smith. *The Idea Brokers: Think Tanks and the Rise of the New Policy Elite*. New York: The Free Press, 1993.

<sup>29</sup> On this point see Harold D. Lasswell and Abraham Kaplan. *Power and Society: A Framework for Political Inquiry*, op. cit. or Harold D. Lasswell. *A Preview of Policy Sciences*, op. cit.

<sup>30</sup> Georgina Murray and Douglas Pacheco, cited earlier, cite research by B. Herd estimating a total of 80-90 think tanks in Australia (and 6 in New Zealand). They employ 1,600 people, publish 900 reports and discussion papers and hold “almost 600” conferences and symposia a year -- but with a collective budget of around \$130 million they are not well funded.

<sup>31</sup> I’ve noticed that the media and other opinion leaders often dismiss their findings and conclusions as “predictable.” That is unfair and unfortunate, based on what I have seen of their work. These critical issues of government regulation and the impact advanced communications technologies need to be addressed from every vantage point – and not just from the point of view of the regulator or the government administrator or the competitors. At the end of the day, there is the national interest.

- There are **peak industry groups** that do policy research and hold forums – such as the Business Council of Australia (BCA, Melbourne) and the Committee for Economic Development of Australia (CEDA).<sup>32</sup>
- There are **consultancies** such as Concept Economics (Canberra) or Tasman Asia Pacific (Melbourne) that do outstanding analytical work and hold forums from time to time.<sup>33</sup>
- There are **independent institutions** that hold forums, but don't do research – such as the Sydney Institute, the National Press Club in Canberra, Foreign Correspondents Press Club in Sydney, Trans-Tasman Business Circle, the Global Foundation, or Davos Australia.

### **Why are these other venues needed, one might ask.**

These kinds of groups **assemble influential opinion leaders from all walks of life** – the very people who should be exposed to balanced discussions or even formal, Oxford-style debates of the cardinal issues of our day, of which investment in telecommunications is certainly one.

When issues are taken up in the **media**, they are almost always discussed either in personal or political terms or in “horse-race,” who’s winning terms.

When issues are taken up in forums dominated by **lawyers or regulators**, they are typically discussed in strictly legal terms that often drive out common sense and shrink the opportunity for the creative, no-fault or win-win solutions.

Once issues get to the **courts**, a whole new dynamic, including new rules of evidence, take over. This happens when politics fail, and democratic policy-making gives way to the judicial process – though Clausewitz might say, “A law suit is an extension of politics by other means.”

When the issues are taken up in forums dominated by **economists**....well everyone knows what happens then. They make a lot of money because no one knows what they are talking about.

### **So, what surprises me is this:**

**Australia has a wide range of accessible and capable civic leadership groups that do not seem to have as much impact as they should in sparking public debate, shaping the public dialogue and influencing public policy.** Instead, they try to influence Canberra and leave the public to shift for themselves.

**Maybe my 34 months here are a bad sample of time.** That could be. But I have also been told by elected leaders from different political persuasions and by public servants who have been around for a long time, that the influence of civic leadership groups has waned in recent years –

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<sup>32</sup> These groups are membership organizations, and their members include perspectives, skills, and information from all points on the compass. They are already playing an important role on issues like taxes, regulation, workplace relations, infrastructure development, and economic and regional development – and they should, because they are uniquely positioned to inform and educate the public about the consequences of policy decisions and regulatory practices and how they affect the ability of the nation’s wealth- and job-creating institutions to survive, compete and prosper.

<sup>33</sup> Even though the work they do is properly guided by an agenda that grows out of their business and not out of the public policy agenda, groups like this have a rich base of talent that needs to be enlisted to help educate the public as well as the policy makers and elevate the public dialogue about these critical issues.

that they used to play a larger role in agenda-setting, the clarification of alternatives, the assessment of results.

Speaking to the telecom issues I care most about professionally, **I am surprised by the relative lack of interest in the long-term benefits of the digital revolution** and its importance for the future of the people, **enterprises, and communities of Australia. Instead people talk about the *politics* of telecommunications** (not its societal benefits), about the **details of regulation** (e.g., the role of the ACCC, structural separation and other diversions) and whether or not Telstra is a monopoly or a community property...when it is neither. But seldom about what the digital revolution means for jobs, growth, productivity and the economic development of Australia.

That, I think, is unfortunate, because, once again, **these issues are too important to be left to government or the “experts”**. Indeed, the business and public service professionals along with the economists and the regulators, have carved out a **special language** – such as “unbundled local loop” and “operational separation” and on and on with impenetrable jargon – that makes it impossible for the ordinary citizen to participate in the debate even if he or she wanted to.

I will leave it to people like Hugh Mackay, Bernard Salt, and others much smarter than I to lay bare the **reasons for an anaemic civic sector and timid civic leadership**, but I think it is an issue that we need to address because **a strong civic order goes to the heart of building a strong and resilient society** that can withstand social, political, economic, demographic or natural resource tremors now unforeseen.

Some might suggest that the 2020 Summit was a breakthrough for civic leadership in Australia. I would argue it was almost the exact opposite – a gathering of delegates selected by government; elevated by government; and media managed (brilliantly) by government. That is not an example of a robust civic society in action.

## Leadership profiles in the US and Australia

The other side of the coin of Australia's tepid civic leadership in public policy is a highly **state-centric approach**. It is the job of elected leaders to address any and all issues of concern to the public, but in Australia that also means **senior members of the public service – bureaucrats, administrators and regulators – also speak out regularly on matters of public concern. The views of public servants convey high legitimacy and authority in the political culture** – not just in a formal legal and political sense but in a wider civic sense as well.

Hand-in-hand with this, **there is great interest (especially in the elite media) in the lives and leadership perspectives of leading public service figures**. Again, I'm not talking about elected leaders. One thinks, for example, of the high profiles of individuals such as

- Treasury Secretary, Ken Henry,
- ACCC Chairman, Graeme Samuel,
- Productivity Commission Chairman, Gary Banks,
- former head of Prime Minister and Cabinet, Peter Shergold,
- Reserve Bank Governor, Glenn Stevens, and his predecessor Ian Macfarlane.

The same could be said of one of our hosts today, Professor Allan Fels, during his distinguished tenure as the Chairman of the ACCC.<sup>34</sup>

**Let me share with you my Allan Fels story.** I first learned about Chairman Fels and his cartel-busting and consumer protection leadership of the ACCC a few weeks following my arrival in Australia in July 2005. I was told he wrote a book about his time at the ACCC so I went over to Dymocks to get a copy. The young man helping me couldn't find it in the computer – I had asked him to look for FELL. When that didn't work, I said try FELT. I wasn't sure of the spelling. "No", he said, we don't seem to have it. What was it about?" he asked. I responded that it was about regulation. He said, "Oh, you mean Allan Fels, the ACCC guy. Everybody knows about him. But I don't think he wrote the book. It was a book written about him and about the ACCC...I think it was by someone else." Well, you know what happened next: He found it; I bought it; and read it with great interest. It is Fred Brenchley's *Alan Fels: A Portrait in Power*.

By the way, my Dymocks sales person was a young guy in his early 20s. I was gobsmacked. **I don't know any book store guy in the US who would know the chairman of the FCC or the SEC or any other public servant for that matter...**except maybe the Fed Chairman – a Paul Volcker or Alan Greenspan. As time passed I have been amazed by how many current and former **public servants figure in the annual list of the 50 most influential people published by the**

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<sup>34</sup> See Fred Brenchley, *Allan Fels: A Portrait in Power*, Sydney: John Wiley, 2003.

*Australian Financial Review*. Still, my first introduction to the moral and intellectual authority – one might also say, the enthralling grip and even celebrity – of the public service in the public life of Australia first came from my experience in Dymocks that winter day in July 2005.

**Punch line: The visibility, salience, “presence” and authority of public service leaders are very high when compared to the voices of civil society in Australia.**

That includes the voice of business. The difference, I would argue, is not just one of degree, but of kind. Like most social observers, **I think of business as a key element of the civic order.** But it’s my experience that **business leadership in Australia tends to be viewed more in a private domain** – not unlike one’s family or personal life.

As a result, business leadership is a fairly low profile calling, at least compared with countries like the United States, Germany, Sweden or Japan. When you think of a **great Australian business leader like Frank Lowy**, for example, his civic role is viewed almost exclusively through the prism of his chairmanship of Football Federation Australia (FFA) or as the founder and chief benefactor of the Lowy Institute for International Policy, rather than, principally, as an imaginative and successful business leader.<sup>35</sup>

I have found that Australians are encouraged by the media to feel angry, or at least slightly embarrassed, about business leaders who are financially rewarded for their success. When an Australian actor or sportsperson commands millions to make a movie or play a match, they are treated as national heroes. Nicole Kidman demands \$10 million per movie, the Wiggles earn \$45 million annually, and Hi-5 receives around \$15 million a year. Yet, when a leader of business earns in the neighbourhood of 6-8 figures, they are most often condemned as greedy and undeserving.

**In the US, by contrast, the views of leading business figures (and not just the salaries they earn) are the subject of intense interest** – not just in the media but in the wider public. Stroll around any book store in the US and you find **books by business giants such as:**

- GE’s **Jack Welch**,
- Microsoft Founder **Bill Gates**,
- Former Chrysler CEO **Lee Iacocca**,
- Former IBM CEO **Lou Gerstner**, or
- Berkshire Hathaway CEO, **Warren Buffett** <sup>36</sup>

**They write on a variety of issues** – including:

- leadership,
- lessons learned in life and business,
- the changing workplace,

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<sup>35</sup> For background on Frank Lowy’s business career, see Jill Margo, *Frank Lowy: Pushing the Limits*, Sydney: HarperCollins, 2001.

<sup>36</sup> See Jack Welch with John A. Byrne, *Jack: Straight from the Gut*, Business Plus, 2001; Jack Welch with Suzy Welch, *Winning*, Collins, 2005. Bill Gates, *The Road Ahead*, 1995; Bill Gates, *Business @ the Speed of Thought*, 1999, Lee Iacocca and William Novak, *Iacocca: An Autobiography*, 1984; Lee Iacocca with Sonny Kleinfeld, *Talking Straight*, Bantam Books, 1988. Lee Iacocca, *Where Have All the Leaders Gone?*, Scribner, 2007. Louis V. Gerstner Jr., *Who Says Elephants Can’t Dance?*, HarperCollins, 2002; Warren Buffett, *The Essays of Warren Buffett: Lessons for Corporate America*.



- the emerging global market place,
- the future of technology, or
- challenges facing society.

Moreover, **these books regularly find their way onto non-fiction best-seller lists.**<sup>37</sup> In fact, there is pretty good evidence that a well-known and respected CEO can give a couple of points of lift to share values.<sup>38</sup>

**In Australia, by contrast, the business book genre invariably is of the “rise and fall”, “ups and downs” and “trials and tribulations” variety.** The market is defined much more by the **shortcomings** of business leaders, than by the inspiration and insight their experience can offer to making organizations work or to making the world a better place. One thinks, for example, of works by Trevor Sykes, Paul Barry and Mark Westfield, shining a torch on the hubris and folly of the commercial world.<sup>39</sup>

**Result: The civic authority and legitimacy of business leaders is diminished when they speak about the public interest in the public square.**

If I’m right, what explains this contrast? To my way of thinking, there are two sources.

First, **the diminished role of civil society** means a diminished role for civic institutions and the men and women who lead them. This includes foundation executives, universities and think tanks as much as the Big End of Town. In fact, to the extent these civic leaders are “players” they play in arenas organized by the public order – as witnessed by the 2020 Summit.

Second, **there may be historical reasons** for the diminished role of civic leaders – and of business leaders especially. I am new to Australia’s history, but my reading over the past 34 months tells me that Australia did not experience the giant accumulations of private wealth associated with the heroic era of industrial growth in the US in the 19<sup>th</sup> century. In the US, heroic individuals capitalist titans were the great builders – not the state. The builders built:

- canals and railroads
- telegraph, telephone, and electricity networks,
- oil and gas pipelines,
- massive irrigation systems,
- great financial, mining and manufacturing conglomerates

**This first wave of industrialization was a time of rapid growth...and change...and was shaped by business leaders** such as Andrew Carnegie, J.P. Morgan, John D. Rockefeller, Thomas Edison, Harvey Firestone, and Henry Ford – household names to every American today.

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<sup>37</sup> In fact, in the US we have “business best seller” lists and many listings are books not by academics or journo’s but by business leaders.

<sup>38</sup> See Watson Wyatt Worldwide’s *Effective Communication: A Leading Indicator of Financial Performance*.

<sup>39</sup> Examples include: *Two Centuries of Panic* (1988) and *The Bold Riders* (1994) by Trevor Sykes; *The Rise & Fall of Alan Bond* (1991) and *Rich Kids* (2003) by Paul Barry; and *HIH: The inside story of Australia’s biggest corporate collapse* (2003) by Mark Westfield.

**Those capitalists and entrepreneurs acquired a profile, together with public and private power**, that was a striking feature of America’s political and social landscape. These men – and they were all men during this era – also **articulated a public ideology of stewardship** that expressed itself in philanthropy, reflecting a wide range of beliefs ranging from the “social gospel” to “social Darwinism”.<sup>40</sup>

**After the turn of the century, when the capitalist titans were replaced by business administrators, the new, bureaucratized “managerial elite” were well-known, admired, and influential individuals** – the likes of Theodore Vail at AT&T, Gerald Swope at GE, or Alfred Sloan at General Motors. In fact, AT&T executive, **Chester Barnard, wrote *The Functions of the Executive***, which is a classic on executive leadership in business administration as well as public administration.<sup>41</sup>

**In Australia, by contrast, the state took the lead in the building of national infrastructure**, drawing mainly on capital borrowed from Britain. As a result, the leaders who helped forge that **infrastructure** – men such as Sir John Monash – were largely **administrators of the business of the state**, rather than forces separate from and external to it. As for **manufacturing and mining**, with a few exceptions, major **Australian operations were foreign-owned**, and those who ran them were subordinate to a head office located in London or elsewhere overseas.

**Public policy also played a role** – and especially the

- **embrace of protectionism** – “protection all round”, as it was called, and
- **centralised industrial relations** in the early 20<sup>th</sup> century.

**Protectionism and IR enmeshed business in the political system** in a way that weakened its capacity to act as a counter-balance to the state in terms of civic legitimacy and authority.

These pillars of what Paul Kelly has called the Australian Settlement not only deadened the entrepreneurial impulse of Australian business; I would argue they also weakened the civic culture of a new nation.<sup>42</sup> The result was a sort of corporatist, state-centred, “mother-may-I” mentality that W.K. Hancock described so brilliantly in his classic study of Australia in 1930.<sup>43</sup>

Even when Australian business found a more outward-looking, reformist and competitive voice in the 1980s, there was a powerful view that it should try to come together around a national

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<sup>40</sup> See the wonderful contemporaneous essays on this period collected by Gail Kennedy (ed.), *Democracy and the Gospel of Wealth*, New York: D.C. Heath, 1949.

<sup>41</sup> Barnard was president of Pennsylvania Bell and then New Jersey Bell in the Bell system operated by AT&T. Barnard wrote *The Functions of the Executive*, Cambridge: Harvard University Press, 1938. In 1948 he wrote *Organization and Management*, another widely-reviewed and highly regarded book that is still cited and often read today.

<sup>42</sup> See Paul Kelly, *The End of Certainty: The Story of the 1980s*, Sydney: Allen & Unwin, 1992.

<sup>43</sup> W.K. Hancock, *Australia*, London: Ernest Benn, 1930.

“consensus”, rather than simply accept that a degree of civic head-butting is a healthy, normal part of a mature democracy.<sup>44</sup>

**Business leaders did engage in great policy debates at times** – I think of episodes such as the bank nationalisation battle of the late 1940s, which appears to have played an important role in the defeat of Ben Chifley and the election of Robert Menzies. Yet, the individual presence of business leaders was

- less marked,
- their role more in the backroom of politics, and
- their civic standing more contested.

There were, to be sure, business voices advocating the float of the dollar, the liberalisation of tariffs, and the deregulation of the labour market – but it also has to be said they were **few and most often muted**.

It reminds me of my own experience working at Telstra. **When we were faced with difficult issues with the government and the regulator, we were advised that “a public stoush with the government won't work”,** that “it will offend the Minister”, and “that is not the way we do it in Australia”. That may be true, but I think the record will show that what some people call a “stoush” others call “public education” – and **when the public is educated, they can move issues a lot more effectively than all the lobbyists and backroom politics put together.**

Conversely, biting your tongue and playing the backroom game advantages the most powerful (and in our case that was the government, who held most of the good cards) and serves only to reduce the voice, authority, and influence of civil society – including business.

I'm reminded in this context of a **wonderful essay by the late Donald Horne – entitled simply “Businessmen” – which captures the diminished place of business in Australian civic life by the second half of the 20<sup>th</sup> Century.**<sup>45</sup>

Horne writes: **“Business and businessmen are almost completely unwritten about in Australia. ... Many intellectuals – especially those who are in the universities or the cultural world or the professions, or the more remote kinds of government departments – confidently express as fact about the nature of Australian businessmen what is really the repetition of fashionable myth. These people never meet businessmen; they never read about them (except to read a repetition of fashionable myth); they are not really interested in them and would not bother to cross the street to find out a fact about them; but they have them neatly taped and ticketed for all that – in the most unscientifically generalized terms that seem to include everybody who does business, from the local estate agent to the chairman of directors of BHP.”**

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<sup>44</sup> The use of controversy as a strategy to clarify ideas and the character of people is well established. It's not just the well-known idea that you have to break eggs to get an omelette. I like to think about it this way: **Thomas Aquinas** wrote that “Civilization is constituted by conversation – that is, by argument.” However, **G.K. Chesterton** reminded us that arguing is not the same as quarrelling. According to Chesterton, “The principal objection to a quarrel is that it interrupts an argument.” Theologian **Michael Novak** says “**civilized people...argue with one another. Barbarians club each other**”, as if values are mere “preferences” – and reason is no where to be found. So when people disagree, we should welcome argument, and if the other side doesn't want to engage, well, that tells us something too.

<sup>45</sup> Donald Horne, “Businessmen”, in Peter Coleman (ed) *Australian Civilization*, Melbourne: F.W. Cheshire, 1962.

**Horne goes on to list what he calls the “hive-full of preconceptions” that swarm around the idea that Australian businessmen are “uneducated, provincially ignorant, suburban-minded, vulgar, anti-intellectual, reactionary, materialistic bores, more Babbitt than Babbitt”.**

**This piece of socio-cultural commentary is grating to the ear of this American.** It’s like fingernails on the chalk board. I grew up on a diet of **Horatio Alger stories that celebrate hard work, entrepreneurial drive and the American dream.**<sup>46</sup> When I was in the 7<sup>th</sup> grade, we began each day with the pledge of allegiance to the flag and a 10-minute Horatio Alger story played over the school intercom.<sup>47</sup>

**Let me pose as an open question to you:** except for the need to replace “businessmen” with a more gender neutral term, **how much has changed in the four and a half decades since Donald Horne penned that essay?**

**I’m not suggesting there is anything sinister here** or that business perspectives on public policy deserve legitimacy independent of their merits. Nor is this a prelude to some latter day version of “what’s good for Telstra (or Holden or BHP) is good for the country”.

Like many of you, I’ve read my Adam Smith. Good public policy assuredly demands alertness to rent-seeking, brazenly self-interested behaviour and “conspiracies against the public” on the part of business.

My real point concerns the degree to which **good policy and a healthy democracy require multiple and, in some sense, counterbalancing voices of legitimacy and authority in public policy debates.** Without this, we tend to be left with the comfortable status quo, and that can impose very large costs and extract very severe penalties.

Put another way, I believe that

- **the public interest is too important to be left to the public sector,** however wise our public officials may be, and
- **politics are too important to be left to the politicians.**

**Ordinary people and civic institutions have much to contribute in a literate and developed society.** The late William Buckley, a giant among public intellectuals in the US – once said, “If I had a choice between being governed by the Harvard faculty or the first 100 names in the Boston phone book, **I would take the phone book.**” There is a lot to ponder in those words, especially in view of the mess that technocrats made of the 20th century.

## **Telecommunications regulation in the political culture of Australia**

Let me conclude with a few words about the business I’m in, telecommunications, and my job – to make **the case for reform of telecommunications regulation in this country.** The telecommunications debate in Australia highlights in stark relief the issues I have been discussing

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<sup>46</sup> Alger was a 19<sup>th</sup> century author of more than 100 “dime novels” recounting rags-to-riches stories celebrating how the down-and-out are able to achieve the American Dream of wealth, success and social standing through hard work, courage, determination, and concern for others.

<sup>47</sup> I attended the first school in Lafayette, Indiana to have an electronic intercom. It was a big deal – not unlike today, where we have technology looking for content.

– in particular, **a presumption that public policy debate should be a matter for government, and its intimates, and not an open debate in which civic leaders – including business leaders – and civic institutions play a vigorous, transparent, role.**

Closely associated with that is a **persistent confidence in the public sector in what regulation can achieve** – despite overwhelming evidence to the contrary.

Indeed the **call for proposals to build high-speed broadband fibre** out into the neighbourhoods of the nation – called FTTN or fibre-to-the-node – **contains a “gag order”** that asks those making proposals not to speak publicly on the substance or the process of their proposals at the risk of being eliminated from the bidding process.<sup>48</sup>

The reality I deal with every day is that **Australia’s telecommunications regime is failing badly under a burden of regulatory overreach.** I am not talking here about mere faults of implementation, but rather deep-seated, underlying **problems with the design of the regime** – its systems, style, structures and processes – and the reality that technology has changed, consumer preferences have changed, and the competitive environment has changed – but regulations have not. That’s why there is an urgent need to

- **reduce the scope** of regulation,
- **place stronger limits** on regulatory discretion,
- **separate the functions** of cop, judge, jury and hangman, and
- **increase overall accountability** in the regulatory regime.

**Good regulation serves three primary functions:**

1. **Protects the consumer**, including health and safety as well as providing more choices for consumers,
2. **Encourages investment**, in part to spark innovation to give consumer more choices and cheaper prices, and
3. **Fosters a health and competitive industry.**

Using these established standards for assessment, **the ACCC’s performance in the telecommunications space is not just a failure – it is a dismal failure:**

- Consumers are repeatedly denied choices in the marketplace;
- investment growth in telecommunications is *negative* over the past three years if you take Telstra out of the mix; and
- Australia’s telecommunications industry is anything but healthy.

**The ACCC has fumbled, badly**, in the case of telecommunications and things need to be fixed.

More specifically, **we need a regulatory regime that:**

- affords regulated parties **due process and procedural fairness**;
- makes decisions on the basis of **facts and data – not conjecture**;
- **applies consistent and predictable standards** in both the application of the law and in the decisions made;
- **uses special powers judiciously** and sparingly – particularly powers that impinge on fundamental rights; and
- **builds and maintains trust.**

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<sup>48</sup> See the FTTN tender RFP, sections 11.1 and 11.2.

**Unfortunately, my experience suggests that these principles are more honoured in their breach** around ACCC decision-making about the telecommunications industry.

**Effecting change involves a larger issue that goes to leadership and culture.** It concerns Australia's willingness to embrace a dynamic, future-oriented approach to the regulation of telecommunications technology, and to leave behind a static and defensive one.

**Telecommunications seems to be one of those policy areas where this wonderfully successful lucky country seems strangely ambivalent – and anxious – about the future.** The ambivalence is found both in public sector and the civic sector. That's why it is time to engage. That's why **the future requires a different approach.** And that's why business leaders and others who speak for civil society and our civic institutions must stand up and be counted.

**Public policy is not just about government. And politics is about a lot more than politicians.** Indeed politics is about the allocation of values in a society<sup>49</sup> – i.e., politics is about who gets what when and how.<sup>50</sup> That means politics is a process in which all the institutions of society have a stake – and in a democratic society all stakeholders can and should be heard, unless they choose to remain silent.

Thank you for your attention and for your invitation to be here this evening.

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<sup>49</sup> Just as economics is about the allocation of wealth.

<sup>50</sup> See Harold D. Lasswell, *Politics: Who gets what when and how*, New York: Peter Smith Publishers, (1935)

## Appendix A: Decision-making in the Public & Private Sector is Different

<b>Decision-making Function</b>	<b>Enterprise Sector</b>	<b>Public Sector</b>
<b>Goal setting of the Chief Executive Officer (CEO) and the Elected Executive Officer (EEO)</b>	Relatively narrow: to turn consumers into customers, delight customers, increase shareholder value – though the corporate social responsibility (CSR) movement is advancing broader environmental, diversity and others stewardship objectives for corporates.	Broad: to maintain a minimum winning coalition among competing interests and competing stakeholders in pursuit of multiple economic, social, cultural, environmental, and political objectives.
<b>Orientation</b>	Substantial resources pursuing limited goals.	Substantial resources pursuing unlimited goals.
<b>Major constraints</b>	Financial, regulatory	Coalition maintenance, talent
<b>Validation</b>	Year-end results, total shareholder return (TSR)	Election results.
<b>Support of the policy making board</b>	Boards of directors generally give high support to the CEO – or they get rid of him/her.	Legislatures typically have a large minority that continuously squabbles with the majority, consistently opposes the initiatives of leadership, and regularly tries to embarrass or otherwise trip up the EEO.
<b>Control over the decision process</b>	High control over decision process and the who, what, when, and how of decision-making. CEO can decide who will participate on what issues at what time in what arena.	Low control over the decision process and the who, what, when, how of decision-making. The legislature, public interest groups and other stakeholders, media, awareness of FOI vulnerabilities – all constrain the ability of EEO to more than shape the process.
<b>Decision rules</b>	High control – though the CEO can and does set SOPs for the rest of the enterprise, s/he can easily and quickly make exceptions or change them. Often requires board approval but “common cause” facilitates flexibility. Somewhat less freedom to set rules in a regulated industry.	Low control because the EEO is formally constrained by procedures established externally by law (the “bureaucratic process”) and informally constrained by the decision criteria imported by stakeholders.
<b>Flexibility</b>	High, though for public companies the imperatives of disclosure and for all enterprises capital planning impose significant constraints.	Low, because in the process of forging a winning coalition entails commitments – promises and rewards; threats and punishments – than cannot be easily revisited.
<b>Control over staffing</b>	High in the hiring and assignment of people; some constraints on sacking imposed by laws and regulations.	Low in the hiring and sacking of people and very limited in the assignment of people.