

## **Speech to The World Bank Seminar**

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Thank you for this opportunity to talk to you today. I want to do so largely via the eyes of a politician.

I want today to put more emphasis on the politics of structural change than the change itself and the messages that need to be passed to the public. Tomorrow at the conference I will reverse that pattern.

OECD studies show that politicians tend world-wide to avoid structural reform until it is forced on them by economic stagnation, a collapse of the currency or some other equally costly economic and social disaster.

Obviously there are a large number of up-front political and economic costs involved in structural reform. That includes corporatisation and privatisation.

If we focus primarily on the problems, the prospect can seem so daunting that we never get started. But if we stand back from the problems and focus instead on the political opportunities opened up by structural reform, the view is 100 percent positive.

Voters rightly place a higher value on policies that improve their longer term future than they place on policies which may look successful in the short-term but only by sacrificing larger and more enduring gains further out into the future. Every decision involves trade-off costs. There is no free lunch.

A basic choice is involved. We can take the costs up-front for larger medium-term gains or we can maximise short-run satisfaction, in which case the accumulated costs will sandbag us at some later stage.

Going for quality means choosing the actions that deliver most benefit to the nation in the medium-term instead of choosing more now for supposed political gain, at the cost of less later. Those concepts are not foreign to the general public. People sacrifice earnings to get a university degree. They save up to buy a house.

People, in my view, want politicians with the guts and the vision to deliver sustainable gains in living standards to them and their children. By committing yourself wholeheartedly to a strategy of thoroughgoing structural reform, you make a fundamental change in the nature of the whole political ballgame.

A non-reforming government has no remedy for the structural problems under its management. Those problems slowly get worse. Ministers end up misrepresenting or suppressing vital economic information. Events continuously gnaw away the credibility of the government. Life as a Backbench Government MP becomes a non-stop misery.

One compromised policy is announced after another. None of them ever deliver the satisfaction the public really wants. The situation worsens further. Ultimately the economy and the government both collapse together.

On the other hand, as soon as you commit yourself to reform, you are freed of responsibility for the mistakes of the past. You can talk to the public in an honest, up-front

way about the real problems, the damage to growth, incomes and employment. People like that and quite properly, they respect it.

Public demand for reform is built on a sense of outrage over the mistakes of the past and the people responsible for them. You lay out the facts and ask your audience:

- Where does this road end?
- How long do we wait before we do something about it?
- Until the debt has tripled, or until it quadruples?

So corporatisation and privatisation should always feature as just one thread in a very much wider pattern. Corporatising or privatising one state enterprise, for example, is not going to make a lot of difference to anyone except the vested interests who directly lose by it and all the other vested interests who think they would lose if this case set a precedent.

Taking them one by one fails to mobilise any support for the reform programme but it does very effectively mobilise the opposition. To win, you have to boost the stakes and boost them as high as possible.

Corporatising or privatising a large number of important state businesses can demonstrably make a major difference to both taxpayers and consumers. The broader the approach, the more strike power you have.

Again, the foundation for reform is laid by making sure that the dog can see the rabbit.

Past governments were able to avoid reform because they were careful to conceal the inefficiencies of state enterprises wherever possible, so there is genuine shock value and dynamic power in revealing what actually goes on inside those organisations. That value is maximised by asking reputable, high-level, independent business people to investigate each state enterprise, then report in detail to the government about the inefficiency, waste and stupidity they have found.

Some of the examples that come out of the woodwork are so breathtaking that they almost have a quality of legend about them. They stick in the public mind. It becomes difficult to defend the status quo without blushing.

For example, in New Zealand it was costing us \$122,000 per job per year in our state coal operation to keep hundreds of people on the staff contributing absolutely nothing except costs to the organisation's output.

Coalcorp halved its staff numbers after corporatisation without loss of output. As a result, in one year, without raising prices, they were able to turn a \$23 million loss into a small profit. Coalcorp is now planning to double production over the two years ahead and do so with just a minor increase on their present staffing levels.

In some U.S. industries, the cost runs as high as \$750,000 a year per job saved by protection. For the same money, well-spent, much larger numbers of more productive jobs could have been created elsewhere in the economy. They would have helped to enrich the whole community, instead of pouring money straight down the drain.

It is important to understand the fundamental positioning involved in making a political success of structural reform. Politics has very often been seen basically as a system of horse-trading. The government grants privileges, protection and profits to favoured groups

at the expense of the taxpayer or the consumer in the belief that this will somehow win them more votes from the consumer and the taxpayer.

That view of politics is a perversion. It is directly responsible for the mess we are trying to clean up. The purpose of economic activity is to serve the needs of consumers.

Government is not there to protect vested interests at the expense of the consuming public.

Its responsibility is to ensure that vested interests cannot thrive except by serving the consumers well. Those principles are crucial when it comes to selling a structural reform package to the general public. The programme as a whole is based on the medium-term interests of consumers and taxpayers, the interests of the State or the Nation as a whole, rather than the interest groups.

Everyone is a consumer or a taxpayer, so you talk to everyone in that capacity. You tell all of your audiences exactly the same story. They may hold a favoured position in their own area at present through monopoly, privilege or protection. They pay a price for that position. The price is their share of the aggregated costs of all other monopolies, privileges and protection granted to the rest of the interest groups across the length and breadth of the total economic system.

So essentially the deal always is: take the cost of losing your own privilege on the chin, in order to be quit of paying for the privileges of all the other interest groups in the system. Politicians should position themselves against privilege and become the champion of the taxpayer and the consumer.

The result is a dramatic improvement in costs, efficiency and productivity right across the whole of the system. All of the players are faced with a major adjustment task to get their own house in order. But they are greatly assisted by the major improvements in cost, efficiency and productivity which others are achieving right across the system.

The systems implications have to be spelt out continuously because most people are not used to thinking that way. People tend to think of Railways, for example, as a thing that exists in and for itself. They judge it on the size of its staff, engines, stations and so on.

If several thousand staff are made redundant, the general public will tend to think that you are:

1. Being cruel to the people involved.
2. Wrecking the whole railways system.

They need help to understand that, when efficiency makes freight charges twice as high as they should be, a major penalty is placed on everyone who has to use or pay for the gross stupidity and waste throughout the system. That impacts not merely on the firms shipping and receiving goods by rail throughout the country. It also reduces the wages, promotion opportunities and job security of every person who works for one of those firms.

Waste of that kind, cumulatively across a whole range of inefficient institutions puts a penalty amounting to billions of dollars a year on the performance of export industries. It can reduce every household's standard of living.

Using one fundamental approach by every Government MP and Minister to every different audience gives your communications unique strength and firepower. The outcome is a communications momentum qualitatively different from any result that is achievable using mixed-message communications.

The general public does not understand the basics because past politicians have always conspired to conceal them. So a whole range of messages have to be promoted:

- Until now, no attempt has been made to ensure that State Enterprises are performing.
- They have not been required to account for their performance in the past in any objective or systematic way.
- They have been protected from the disciplines of normal commercial competition.
- They have operated with mixed objectives, so that even their own managers never knew what was supposed to matter most.
- They have been required to create jobs, for example, without regard by anyone to the cost or the benefits of the jobs thus created.
- Neither the enterprises themselves or Parliament have had any benchmark for assessing their performance.
- Inputs like staff numbers and budget were placed under rigid controls, leaving managers without the autonomy needed to manage effectively.
- On the other hand, nobody bothered to think about the outputs that these organisations were supposed to produce for society.
- As a result, the managers themselves have simply given up the battle.

They no longer regard the financial performance of their business as their personal responsibility. You will have your own examples of typical outcomes here.

In New Zealand we found:

- Power stations completed at twice the original estimated cost.
- Forests planted where the cost of harvest exceeded the value of the timber.
- Post Office Savings Bank assets fell 37 percent in real terms in a decade and its market share fell by half but its spending increased by 75 percent in real terms in the same period.

Any normal business producing that kind of outcome would go bankrupt. But these enterprises are guaranteed unconditionally by the taxpayer. There is no incentive for them to shape up.

The problem is not the staff. The best staff in the world cannot make these systems run right. The only remedy is a substantial change in the environment within which these enterprises are required to operate.

They are never going to become efficient while we require them to serve conflicting commercial and social objectives. Nor will they ever be efficient regardless of who owns them, while they enjoy continued monopoly status or other protection from the discipline of a fully competitive and contestable marketplace.

Effective handling of both those two central issues plays a crucial part in winning the approval of the voting public.

Clearly it is impossible simple to wipe out genuinely valuable social services that have been provided through the channel of State Enterprises in the past. The Government itself has to take responsibility for making judgements about the social services that are vital to the public.

It has to pay for them totally separately from the operation of the business on a transparent basis of full accountability to voters. The public can thus feel safe to let State Enterprise managers get on with their job of managing in a strictly commercial business manner.

The regulatory environment is equally important to the development of public confidence in these structural changes. People have to be able to see clearly that these organisations will operate in the future without either advantage or disadvantage in relation to other commercial operators.

The public knows that it cannot expect a fair deal from these organisations in a business environment unless they are fully subjected to the normal business disciplines of competition and contestability. In many cases, they will have been told throughout their lifetime that certain markets are inherent natural monopolies and nobody can do anything about it.

We used to think in New Zealand, that even our domestic airline services had to be a monopoly to achieve the scale necessary for efficient operations. As a result, we had high fares, lousy food and service. We had to rush across the tarmac in the rain to board planes.

In Wellington we made do for 20 or 30 years with a temporary prefabricated shack as the capital city's domestic air terminal. Then the Government let Ansett in as a competitor with Air New Zealand. Competition did, almost overnight, what regulation had been unable to accomplish in 30 years.

Suddenly we had good terminal buildings, enclosed access ways to aircraft, new services, cheaper services. Waiting time for luggage from Ansett planes was virtually zero.

Nobody in the country ever dreamed of such a transformation. It made a profound impact on attitudes to deregulation. In New Zealand, we have opted for a totally deregulated telecommunications system.

Once upon a time, that area too, used to be regarded as a natural monopoly. Technological change has opened up virtually every area of it to competition. Not even the local loop will be immune in the future.

We have just tendered enough radio spectrum for up to five different competing cellular phone networks.

Over time, the wireless telephone will open local services up to the same kind of intense competition that already occurs in other telecommunication areas.

Most so-called natural monopolies are not natural in any sense. They are the product of State ownership, legislative protection, trade barriers and other artificial impediments to normal competition. The key issue is the identification and removal of those impediments.

The issue of ownership in my view is entirely secondary to getting the regulatory environment right. If you privatise a monopoly, you do not solve the present problems, you compound them.

The gains from corporatisation are enormous, far greater than most people can imagine at the outset of the programme.

Our postal system lost 438 million in 1986-87 and was set to lose 450 million the following year. Instead it was corporatised. It held the price of basic mail and instead of a 450 million loss it made a large profit.

Our Forest Corporation, responsible for 550,000 hectares of plantation forest transformed a 470 million loss into a 453 million profit in one year. Its profit in the current year is likely to be around \$150 million.

Rod Deane's Electricorp has reduced the real unit cost of electricity by 20 percent in two years and will improve significantly on that in the current year.

New Zealand Railways in 5 years, reduced real freight rates by 43 percent. That is an enormous contribution to the wellbeing of our regional industries.

There is of course a price that has to be paid to achieve such gains.

Railways in New Zealand reduced its staff from 21,000 to 8,000 in six years. Telecom has cut staff from 25,000 to 18,000 and numbers will fall to around 14,000 by the end of this year. Coalcorp halved its staff and Forestcorp reduced by almost two thirds from 7,000 to about 2,500.

Those numbers provide useful propaganda material for opponents though in fact, they oversimplify what really happened. Redundant Railways staff took \$100 million away with them in severance pay for example. Large number of Forestcorp and Telecom staff have used their redundancy money to set up in business as independent contractors, selling their services to their former employer and achieving productivity levels three or four times higher than they did on the staff.

There is no point whatever in pretending that such things are not going to happen in the course of corporatisation and privatisation. What you do is face the costs up-front, bring them right out in the open, in front of people. Tell them why it is happening and why, notwithstanding the problems, it is overwhelmingly a good thing.

How did New Zealand Railways, for example, come to have 21,000 staff in the first place? Certainly not because it was offering its customers fast, efficient and competitive service. On the contrary, the country echoed from one end to the other with complaints about Railways.

They had those numbers because they were protected by a legal monopoly - a privilege, and they were abusing it rotten. To protect them, disgruntled customers were not allowed to choose alternative transport even where it was faster, cheaper, more convenient and broke less of their goods.

We forced farmers and manufacturers nationwide to ship the dear, slow way, against their interests, as a favour to railwaymen. In doing so, we reduced the wealth, living standards and job opportunities of everyone else in the country. That is just nuts. Not even railwaymen can defend it.

So you do not hide the costs. You lay them right out in front of the community along with the benefits. Sure there are problems and if they take all of your attention they will always seem insuperable.

Vested interest groups will always argue that the redundancies are cruel decisions by a heartless Government that puts money ahead of people.

Clearly it is important to reduce adverse personal and social impact wherever that can be done without damaging the objectives of the programme. But above and beyond all that, the bottom line is:

Those redundancies are a practical step that improves the future for everyone else in the country. So doing it is a winner with taxpayers, consumers and the voting public. That is the political opportunity.

Even people who lose their jobs stand to gain over time. By relocating in productive jobs elsewhere they improve their job security and their own future prospects.

Inevitably too, there is going to be pain removing cross-subsidies and getting the relative prices right.

Our former Post Office, for example, was over-charging on toll calls to the tune of more than \$400 million a year in order to subsidise our system of free calls in the local area. As a first step towards eliminating those distortions, the new corporation has been forced to increase the flat-rate domestic rental charge by about 40 percent. Simultaneously, toll call prices have dropped by an average 40 percent.

Overall, the price of a basket of services including inland tolls and local calls was reduced by more than 20 percent in 12 months. But quite clearly, the impact on the individual has depended on the balance in their use of local and toll services.

On the other hand, people can understand why it is important to eliminate the old distortions from the pricing system. So you do not walk away from it. You spell out the cost. You say why your approach is better and you make a virtue of being a Government with the guts to do it right, instead of adopting policies that are a recipe for bankruptcy as the previous Government did.

Even those who are directly and adversely affected can understand and respond to the truth of the basic message. The privilege of favoured groups is always paid for by the rest of the community. The favoured group itself ends up with less need to perform so the whole community finally suffers for it.

- Subsidies always contain the seeds of the destruction of the very industries they were meant to help. Those industries end up investing in uneconomic production. They damage their own market future.
- Cost inflation ruins competitiveness if we do not tackle the cost inflation created by the
- inefficiency of State Enterprises, we are cutting our own throats. For the past 100 years, Ministers have believed they were running Government Departments. We know now that they had no idea what was really going on and had no control over it.
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- For years, politicians have believed that they can pick winners better than the private sector. That misguided belief has wasted billions of dollars on projects with zero or negative returns.

- Protection gives rip-off profits, guaranteed by the State, to favoured groups regardless of their performance, at the expense of consumers and prospects for economic growth.

Those simple messages have to be repeated until people have learned them by heart. It is impossible to place too much emphasis on the importance of repeating them continually.

It takes time and repetition to drive out myth and legend about the economy that most people have been absorbing for a lifetime.

By means of corporatisation, it remains merely a halfway house in most cases. The problem with stopping at that stage is that you may very well fail to lock in those gains on a permanent basis.

The discipline imposed on a State-owned Corporation is, despite the best efforts of the Government, likely over time, to be inferior to the discipline imposed by the market on a privatised business. The State-owned Corporation's management is not exposed to the risk of take-over if it under-performs. Directors and management do not have any personal ownership stake at risk in the business.

It is true that the State can dismiss them if it is dissatisfied with their performance, but all of the political repercussions involved in doing so make it a far more complex rigmarole for politicians than similar changes in the private sector.

Because no market exists for the shares, there is less rigorous appraisal by professional analysts. The public has an interest as taxpayers but not a keen incentive to monitor the organisation closely. They cannot sell that interest if they do not like the organisation's performance.

When the corporation is launched, enthusiasm for the advance involved in this major structural change is likely to mean that some top-notch business people are willing to act as directors. Five years later, the same people, if the organisation has not been privatised, are likely to feel they have better and more profitable things to occupy their minds.

Moreover, as long as the Government continues to own the organisation, it will be impossible to eliminate an implication that it still has some kind of Government guarantee. Finally, nothing can ever fully eliminate pressure from the public for the Government to interfere in the running of the business or fully prevent unprincipled politicians from seeking personal or party advantage by doing so.

Corporatisation can be an important stage on the way to privatisation because it can help the Government to get the business and the regulatory environment into shape before offering the organisation for sale.

On the other hand, if the process stops permanently at corporatisation, many of the gains may ultimately be frittered away as time passes. Some vested interest groups opposed to privatisation will inevitably seek to tar the Government by labelling its initiatives as machinations of the new right. That is demonstrably nonsense.

A World Bank study last year documented no less than 1343 cases of privatisation in 86 countries, from Australia to Zaire, including China and Russia, across every shade of the international political spectrum.

Let me talk about packaging and delivering the product to the public.

Quality decisions start with quality people so those people have to be moved to the point that will be strategic in getting quality recommendations, quality decisions and quality implementations.

One of the most important decisions we made in New Zealand, for example, was to replace the then Chairman of the State Services Commission with Dr Roderick Deane who is your next speaker today.

Most Caucuses appointing Boards of Directors will want to choose people at least in part on a basis of party affiliation and tokenism. That has to be resisted totally. Those are not the right people to be running very large businesses, so party hacks are out.

Do not try to implement reform one organisation or one step at a time. Move by quantum leaps, using big packages. This principle produces rewards on a lot of different levels at once.

Firstly, at an economic level. With structural reform, the results we want are not produced simply by the effect of the various separate decisions we take. All the separate decisions are designed to reinforce each other. Great care is taken to exclude any elements that might be inconsistent with that main thrust.

They develop a qualitative increase in scope and power as a result of the interaction and the linkages taken across a very broad front.

Secondly, packaging a large number of decisions together can go a long way to neutralise the criticism of the vested interest groups.

It is hard to complain about damage to your own group when a lot of other groups are suffering just as much as the same time and when your group demonstrably benefits from their losses in the medium term.

Every vested interest losing something has a vested interest in the success of the reforms being imposed on all other interests affected. In point of fact, there is absolutely no need to feel apologetic about the losses you are imposing on protected vested interest groups. Their future is insecure and unpredictable as long as they continue to remain dependent on Government protection instead of their own commercial performance in the market.

They need to be told that it is in their own interests to take control of their costs, otherwise they are going to remain a political football forever.

The question of pace always arises in discussions of structural reform. Vested interests will always accuse the Government of going too fast because it improves their chances of stopping the reform entirely. The fact of the matter is that it is impossible to go too fast. Even maximum speed is not fast enough.

The short-term trade-off costs start from day one. The lags in the response of the economy mean that tangible results inevitably take time to become visible. If action is not taken fast enough, you invite the risk that the consensus supporting reform may collapse before you implemented enough of the total programme to produce the right results. It is not speed, but uncertainty, inconsistency, and delay that are the real killers.

Leaving people who are facing possible redundancy in a state of uncertainty and fear can cause enormous hurt and disruption for those people.

At a certain stage in New Zealand, we found the changes in the coal and forestry industries were going to cause very large-scale redundancies on the West Coast of the South Island. Because that province was already a depressed area, the Government considered the matter carefully and extensively. It took about six months to make a final decision. Thousands of employees were left in limbo. They knew some of them had no future in those industries but they did not know whom. They could not leave, because they might lose their redundancy pay-out.

The result was intense bitterness. Everyone thought at the time that it was resentment against corporatisation as a policy. Yet once the decisions were made and the redundancies had occurred, within weeks, the feeling in those areas improved very rapidly.

People living there knew that change was inevitable. What they really wanted was to get it over and end the uncertainty so that they could make the necessary adjustments and then get on with their lives. The Government would have saved a lot of pain for everyone if it had made a fast clean decision in the first place.

There is also another fundamentally important reason for moving quickly. After you have removed those privileges and convinced the group that it cannot turn the clock back it becomes an ally of reform. It starts to focus on the gains it can make if the government goes on to remove the privileges of all the other groups which are boosting its input costs.

The most die-hard opposition always comes from those who are permitted by the government to retain their past protection. They can never believe their luck. They continually fear that they may become next on the hit list. Over time, they organise with every-increasing efficiency to overturn the whole policy.

There is only one counter to that. Stop the rot by reforming them before they have a chance to get their opposition mobilised. After that, they will have a stake in the success of the rest of the programme.

Finally, there will always be internal debates within any Government. Work them right through internally within the Cabinet and Caucus system and settle them on a collective basis that binds everyone to the decision. It is absolutely important not to allow those disagreements to become a matter of public knowledge and controversy.

You cannot expect the public to support your reform programme if at the same time you are telling them that the Government itself is not sure about what it is doing.

I guess that brings us directly into the matter of maintaining firm party support for the programme. I have to tell you that was not easy in New Zealand where the Labour Party has for 50 years, been strongly in favour of centralised State control. Moreover, the constitution of our party is somewhat skewed in favour of the union left. They do not have too much trouble in ensuring that their people fill a majority of places in the National Council of the New Zealand Labour Party.

Ideally, some of those people believe they should be telling the elected representatives what policies to adopt, and what decisions to take.

In my view, what you need to hold structural reform together is a group of 6 - 8 key Ministers who understand each other, share the same objectives and know how to work together.

You need those people placed on the key Cabinet Committee that deals with broad policy and strategy direction. They also need to occupy the portfolios that matter most to the

reform programme. They have to operate as a co-ordinated team, using all of their joint resources to ensure that quality decisions are made and sold well to Cabinet.

Then the Cabinet has to operate as a committed whole in dealing with the rest of the Government Caucus and the Caucus has to stand solid in relation to the Party.

At every stage, the most telling arguments have to be boiled out of every issue and presented in convenient form to all of the key players in the next stage so that they can operate on a totally co-ordinated basis.

Where a large selling job has to be done to the general public, there is a good case for setting up a professional office which has that responsibility. We did this in New Zealand to help provide people with information about the tax changes associated with the introduction of our goods and services tax. The office was responsible to the Minister of Finance but it was headed by an independent professional accountant appointed from the private sector.

Its role was non-political, it produced a vast quantity of detailed, accurate information designed to meet the needs of every different important key target public in the country.

The provision of reliable, authoritative information plays a major role in winning the battle. Consistency of policy and communication over time is what gives credibility to structural reform programmes. Credibility is the key to public confidence in both the programme and the economy.

Words like consistency, credibility and confidence get bandied about a great deal by politicians. They are, in fact, the heart and soul of successful structural reform, only earned over time. You will know how important they are if you ever let them collapse halfway through the programme as the present Labour Government has in New Zealand since 1988.

It is fundamentally important to keep telling people what your goals are, where you are heading, how you are going to get there and why you want to - what the costs are and what benefits will be achieved.

You repeat the same messages, everyone in your team, every time they speak to every audience until finally people start telling you that this is what you should be doing and demanding that you get on with it.

Privatisation raises, in more acute form than corporatisation, questions centred on Government provision of social services. It is important to be completely clear in ones own mind about the fundamentals on these issues.

The real question raised is whether Government provision of social services requires the Government actually to produce those services itself. When a Monopoly State Supplier provides the service, the great likelihood is that the supplier will be inefficient and the consumer will have no choice about the quality, quantity or the timeliness of what is provided.

On the other hand, if the State provides by ensuring that those in need are able to purchase services from competing suppliers and the livelihood of those suppliers depends on consumer satisfaction, a better outcome is likely to be achieved on all counts.

Let me conclude by talking briefly about the way these changes alter the traditional roles of both Ministers and the CEOs of State Owned Enterprises and Departments

I remember that when I became Minister of Finance in 1984, one of the first jobs put in front of me was a decision on whether to approve or disallow expenses of 4400 by an Air Force Officer stationed temporarily in Fiji. I had no idea on earth whether the sum actually deserved to be approved. There was no way I would ever know. Yet that piece of paper had risen through half-a-dozen levels in the Department and at every level public servants wasted time getting it into proper shape to waste my time as Minister.

A Minister cannot possibly know what is going on inside the Department for which he has theoretical responsibility. The old system of holding the Minister responsible for anything and everything that happened, whether he knew about it or not was quite simply a farce.

Ministers did not run Departments. They had no idea what was going on. In exactly the same kind of way, departmental heads were theoretically responsible for the performance of their own Department or State Enterprise. In practice, that was often just as much nonsense as the Minister's control.

We had 50 different executives reporting directly to the Head of the Post Office in New Zealand, he didn't have hire and fire rights over any of them. So in practice, nobody at all was ever personally accountable for anything that happened.

You cannot run a tight ship that way - so we changed all that.

CEOs are appointed on merit. Together with the Minister, each year they agree the outputs the Government wants from their organisation and the inputs required to produce those agreed outputs. The CEO is then personally accountable to the Minister based on performance in relation to that agreed contract.

The CEO has the right to hire and fire. He is responsible for his organisation's industrial relations so he has the tools to do the job. The Minister on the other hand, is no longer involved in the day to day management at all.

He is now free to specialise in the genuinely political area of goals, objectives, priorities, policies and strategies. He has to do a first class job once a year of working out the detailed annual contract specifying the inputs provided and the outputs required. Those are the practical expressions of goals, strategies and priorities.

He has the job of selling the organisation, its goals, policies, priorities and achievements, to the Government and the public and he has the task of monitoring its performance to ensure that the outputs specified in the contract are efficiently achieved by the CEO.

So our managers, at long last, have to learn how to manage and our politicians have to begin to learn what really matters if you want to do a good job as a responsible Minister.