SUBMISSION TO ROYAL COMMISSION ON AUSTRALIAN GOVERNMENT ADMINISTRATION

Occasional Paper No. 28
FOREWORD

The appointment of a Royal Commission into Australian Government Administration was announced by the Prime Minister in June 1974. The Terms of Reference of the Commission were to inquire into and report on the administrative organisation and services of the Australian Government and to make recommendations for improving efficiency, economy, adaptability and industrial relations and the despatch of public business.

This submission to the Royal Commission was prepared by the Bureau of Agricultural Economics to focus particular attention on its role and the implications of that role for administrative organisation. Since the Bureau was established in 1945 there has been no similar document discussing and explaining the conceptual basis and role of the organisation and the management problems involved. For these reasons the submission is being made available as an occasional paper.

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This submission covers a range of matters referred to in the Terms of Reference of the Royal Commission, with particular reference to the role of the Bureau of Agricultural Economics and the implications of that role for the staffing and management of the Bureau. An area of major concern in the submission is the restrictive influence of a number of present administrative procedures on the efficiency of the Bureau and on its ability to adapt rapidly to meet changing research needs associated with the emergence of new problems and changes in policy priorities. While the scope of the submission is restricted to matters which are of direct concern to the Bureau, other research organisations within the Service may have similar problems and some of the issues raised have general relevance to the management of the Service as a whole.

THE ROLE OF THE BAE

2. The role of the BAE differs substantially from the normal role of a Division of a Government Department although its special situation is not defined in legislation. In this respect the BAE is not unique; it has been used as a model for other similar bodies such as the Bureau of Transport Economics and the Bureau of Environmental Studies.

3. The Bureau was established in 1945 as a distinct and independent research unit within the Ministry of Post-War Reconstruction. In the 29 years since its establishment, the Bureau maintained its distinct and independent status, although transferred between Departments and despite changes of Government and substantial re-organisations which have occurred at various times in Departments in which it has been located. (1)

4. The role of the BAE has been defined on numerous occasions in varying degrees of detail. Statements made early in the life of the Bureau emphasise activities relating to War Service Land Settlement which have since ceased to be important. However, in a Press Statement in December 1946 announcing that the BAE had been transferred from the Ministry of Post-War Reconstruction to the Department of Commerce and Agriculture, the Minister for the latter Department, Mr. Pollard, stated the role of the BAE in broader terms. The Minister said the Bureau would undertake economic research on each of the primary industries, covering all phases from production to consumption, and the information obtained would be made available freely to all concerned.

5. The following broad statement of the functions of the Bureau was made by a later Minister for Commerce and Agriculture, Mr. McEwen, in 1950:

'The Bureau was established as an independent and authoritative body to conduct continuous research into rural economic problems, to advise Commonwealth Departments and other organisations on financial and economic aspects of land use and

(1) The operative staff level of the Bureau at 30 June 1974 was 270. The total expenditure associated with the Bureau's activities in 1973-74 amounted to $3,166 million of which salaries amounted to $2,336 million.
agricultural policies and to provide primary producers with competent and impartial interpretations of the economic matters affecting their activities'.

These two broad aspects—research (including the identification and evaluation of policy options) to provide as sound as possible a factual basis for Government policy-making, and research to provide information to assist rural producers to make their production and marketing decisions—remain the basic functions of the BAE.

6. The need for an economic research input in rural policy-making is perhaps fairly obvious, given the increasing emphasis which has been placed over the years on the need for economic policies in general to be based on rational assessments of the benefits and costs of alternative courses of action. At the same time, there has been a tendency for Government involvement in many areas of economic activity to increase. In this context, the Green Paper on rural policy comments:

'No Government is likely to give unqualified approval to the implications of the free working of the market mechanism as the means by which resources are allocated and incomes distributed in the economy. This is particularly true of the farming sector where, because of the inherent difficulties of adjustment to continual changes, the response to market prices often leads to undesirable results which require some action on the part of Governments'.

7. The need to provide farmers with impartial interpretations of economic matters affecting their activities is less obvious than the need for an economic research input in rural policy-making, since such a service is not generally provided by governments to participants in non-rural industries. The special needs of the farm sector in relation to research arise mainly because of the atomistic nature of farm enterprises and the difficulty experienced by any individual, or group of individuals, in retaining for themselves the benefits from any research which they might undertake or commission. In general, without public involvement the level of agricultural research would almost certainly be inadequate. The high degree of market instability faced by many rural industries provides further justification for the involvement of the BAE in market outlook research and in activities such as the annual National Agricultural Outlook Conference.

8. A more detailed justification of the functions of the Bureau could be provided if required, but it would appear to be generally accepted within Australia that the broad functions of the Bureau as outlined above are worth performing. The central issue which needs to be considered is whether a relatively self-contained entity such as the BAE, provides the most satisfactory administrative mechanism to perform these functions.

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(3) Rural Policy in Australia: Report to the Prime Minister by a Working Group, May 1974, paragraph 3.6.

(4) Ibid, paragraph 5.135.
A number of arguments can be advanced to support the existence of a relatively self-contained research organisation to conduct applied research in agricultural economics. Possibly, the most important of these arguments concerns the need for the research undertaken to be impartial and objective and to be seen to be free from political influence, particularly in relation to the techniques used and the conclusions reached. This is not meant to suggest that, where research and policy administration are combined, the research undertaken will necessarily be less than completely objective. The problems are that, under these circumstances, there may be some risk that research will not always be objective and that it is very difficult to establish public confidence that research is, in fact, objective when those responsible for it are heavily involved in the administration of related Government policies.

10. The need for research to be seen as impartial and objective is particularly important in relation to the type of work undertaken by the BAE. The complexities of rural policy-making are such that it is frequently not sufficient for the Australian Government to be satisfied that it is basing its policies on sound and objective research. State Governments and rural industry organisations are often also involved in the policy-making processes and thus also need to be satisfied that research findings provide a reliable and objective basis on which to conduct negotiations. Furthermore, if the BAE's functions of improving and interpreting the information on which farmers base their decisions is to be performed satisfactorily, it is clearly important that farmers should be given every reason to be confident that the information provided to them is balanced and objective.

11. There is also a need for information provided by individual farmers for research purposes to be protected from use in the administration of Government policy where it affects the individuals concerned. Apart from the essential need to protect the rights of individual farmers who provide information, any possibility that information provided by an individual could be used directly to his disadvantage would be a matter for concern, because farmers would be much less willing to co-operate in the provision of data for research if such a possibility existed.

12. There are a number of other important practical considerations which favour the existence of a distinct agricultural economic research organisation. These include the possibility for more effective use of research facilities and personnel through integration of complementary projects; the possibility for more effective dissemination of research results through a closely co-ordinated approach; greater ease in maintaining quality standards in research output; the possibility of attracting qualified research personnel by providing a career structure in economic research and the opportunity to develop specialised support facilities, including mathematical services, data processing, library and field officer sections which are able to benefit the overall research program.

13. It might be suggested that, to achieve the benefits outlined above, it is not necessary to have a relatively self-contained research organisation such as the BAE. These benefits might be equally achieved if the BAE was incorporated in the Industries Assistance Commission or in the Australian Bureau of Statistics. However, the functions of the BAE extend well beyond activities that are either of direct relevance to the
Industries Assistance Commission or within the scope of the Australian Bureau of Statistics. Furthermore, it is desirable that there should continue to be a high degree of interaction between the BAE and the various Divisions of the Department of Agriculture, in order to assist in the direction of BAE research toward policy issues which are relevant to the work of the Department, and to ensure that appropriate use is made of BAE research results and of the knowledge and skills of the BAE staff where these are relevant in policy development work.

14. The established role of the BAE is presented in a statement in Attachment A. The nature of the Bureau as a relatively self-contained research organisation is clear from that statement. Subject to qualifications on some points, the statement indicates that:

(i) the Bureau acts within the Australian Department of Agriculture as a distinct economic research organisation;

(ii) the Bureau is able to carry on direct relations with other Commonwealth and State Departments and instrumentalities and to consult with primary industry organisations;

(iii) the Bureau's reports should generally be made public;

(iv) the Bureau should not seek to exercise administrative functions or responsibility for executive administration;

(v) the Bureau is able to exercise some discretion to direct its activities into fields where it considers work most necessary;

(vi) the Director of the Bureau is responsible to the Secretary of the Department for the overall performance of the Bureau but the Director is not subject to direction either as to the methodology employed by the Bureau or as to the conclusions reached by the Bureau on the basis of its investigations;

(vii) the Director has access to the Minister in respect of any matters relating to research methods and findings.

Independence of the BAE

15. The points listed above and the more detailed statement in Attachment A indicate that the Bureau has a fairly high degree of independence from political and administrative influence, particularly in relation to research techniques used, conclusions reached and the publication of results. The independence of the BAE has been publicly affirmed by successive Ministers and senior public servants on many occasions in the years since its establishment.

(5) Prior to the establishment of the Industries Assistance Commission a proposal that the BAE should be transferred to the Commission was rejected by Sir John Crawford who was appointed by the Prime Minister to advise on how the Commission should operate. J.G. Crawford, A Commission to Advise on Assistance to Industries, Canberra, June 1973, page 27.

(6) The position of Director of the BAE carries Chief Officer delegations.
16. It is important to note that the degree of independence enjoyed by the BAE has not involved the organisation to any significant extent in public crusading on politically sensitive issues or in the role of an advocate arguing a case on behalf of particular interest groups. At the same time, the BAE has been involved in recent years in the analysis of controversial issues, such as the need for rural reconstruction, the adequacy of rural credit facilities and equalisation arrangements for the dairy industry, and has published reports on these subjects. In examining such issues, the general aim of the Bureau has been to reduce the possible scope for unnecessary differences of opinion about the factual situation and to investigate as objectively as possible the advantages and disadvantages of alternative courses of action.

17. Suggestions are sometimes made that the BAE should be more outspoken and publicly critical in its examination of Government policies. Agricultural policy might well benefit from having its strengths and weaknesses subject to more informed discussion in the public arena. The Bureau has a role in this area in providing information which is used by participants in public discussion and in identifying and clarifying important issues. It is important, however, that the Bureau's contribution to public discussion of policy issues should be constructive and consistent with its involvement in policy development work based on research findings and with its role of providing a continuing source of advice to Governments on the agricultural economic aspects of policy.

18. The question remains of whether the present degree of independence of the Bureau should be given legislative backing. In the absence of any legislation defining the status and role of the Bureau, the independence of the organisation in relation to performance of research functions and publication of research results rests heavily on the continuing goodwill of successive Ministers for Agriculture and Permanent Heads of the Department of Agriculture. Legislation would not reduce the need for goodwill and co-operation to enable the Bureau to function effectively, but it would ensure that no fundamental change in the status or role of the organisation could be made without public knowledge of the action being taken. Even if this argument is accepted, there does not appear to be any statutory organisation within the Australian Public Service which would provide an appropriate model to use in defining the present role of the Bureau in legislation. Care is needed to provide the Bureau with independence in relation to research methodology employed and the publication of research results, while ensuring the continuation of a high degree of interaction between the Bureau and the various Divisions of the Department of Agriculture.

The Nature of the Bureau's Work

19. The Bureau's work is sometimes described as fact-finding. This is an accurate description in the sense that the Bureau's work is oriented toward empirical research and problem solving rather than toward the development of economic theory or the development of new research techniques. However, the work of the Bureau goes far beyond mere 'fact-finding' if this term is interpreted narrowly as collection of information. Analysis of the information it collects has always been a very important part of the Bureau's activities.

20. The functions of the various sections of the Bureau are outlined in a separate document. (7) This indicates that some of the Bureau's

(7) Role and Functions of the Bureau of Agricultural Economics, August 1974.
activities are directed toward the provision of background information for Governments and farmers in relation to such matters as income levels and resource use in rural industries and the market situation and outlook for rural products. Other activities of the Bureau are directed toward the analysis of particular problems and policies. The Bureau's work in relation to wool marketing, rural reconstruction and the economic evaluation of irrigation and other projects can be cited as examples of this approach.

21. It should be clear from the above that the Bureau's work is essentially applied research in agricultural economics and marketing. This work involves a range of activities including information collection, statistical and economic analysis and evaluation of policy options. The following sections of this submission discuss a number of problems relating to the staffing and management of the Bureau and the ability of the organisation to adapt to meet changing research needs. Most of the problems discussed arise specifically from the Bureau's role as an economic research organisation within the structure of Australian Public Service.

STAFF AND MANAGEMENT ISSUES

22. The effectiveness of the Bureau in performing its functions of providing a research input for rural policy formation, and in improving the information available on which rural producers base their management decisions, is determined largely by the number and quality of the research and ancillary staff and the research facilities available, including data processing and library facilities. The structure of the organisation, particularly the balance between numbers of senior and junior staff, and the scope of the organisation to employ staff and other resources in a flexible and efficient manner to ensure that research is relevant to the changing needs of the policy-making process, are also important.

23. Many factors have a bearing on the ability of the Bureau to recruit or train competent research staff. The efficiency of the graduate recruitment process as the means of selecting individuals who are interested in a career in economic research and have the potential to develop as professional research economists, is particularly relevant. It is also important that staff should be given opportunities to develop their skills in the application of economic theory and research techniques to practical problems. This need can be partly met through training on the job, through the interchange of ideas within the organisation and through participation in conferences of professional interest within Australia and overseas, but opportunities for part-time study and formal post-graduate training are also necessary to provide the depth of knowledge and experience which is required in many of the senior positions within the organisation. In addition to recruitment at the graduate level, there is also a need for lateral recruitment at higher levels and for the employment of consultants with special skills in particular areas. This augments the supply of competent people at senior levels, introduces new ideas and insights and assists in the training of junior staff.

24. It would probably be reasonable to argue that the Bureau has been able to function adequately if not optimally in the past, within the structure of arrangements relating to the staffing and management of the organisation. One feature of existing arrangements, which has helped considerably to build up the skills available to the Bureau, is the
opportunity which has been provided for a number of officers to undertake post-graduate studies. However, there are limits on the number of awards available to the BAE for this purpose. Arrangements to employ consultants with special skills have also made a contribution in recent years, but recent moves to establish administrative procedures in connection with use of consultants could limit our flexibility in further utilising this avenue of access to outside skills and expertise.

25. There are a number of additional general measures which would help the Bureau to function more efficiently in its economic research activities. For example, the case for providing sabbatical leave for senior public servants would appear to be particularly pertinent in relation to research organisations such as the Bureau. Such devices could be used to provide additional opportunities for staff to keep up with developments in economic methods and research techniques in comparable overseas organisations and in universities. There is also a case for action to be taken to more readily facilitate an interchange of staff between the Bureau and similarly oriented research organisations, both within Australia and overseas.

26. A number of other areas where particular problems exist, and where action appears to be needed to assist the Bureau to function more efficiently, are discussed in some detail below. The problem areas involved are graduate recruitment, lateral recruitment, tenure of employment, establishment and organisation, and financial management.

Graduate Recruitment

27. Over the years the Bureau appears to have developed a role as a training area for other parts of the Public Service. This role has developed because the supply in other parts of the Service of officers who are suitable for promotion or transfer to the research areas in the Bureau has been fairly limited and there has consequently been a need for the Bureau to invest heavily in the recruitment and development of graduate trainees. The Bureau also participates in a cadetship program which is reviewed annually by the Public Service Board and may have as many as fifteen cadets at various stages of academic training in any year. The research experience which graduates gain in the Bureau is apparently highly regarded in other areas of the Service so that promotion opportunities outside the BAE have generally been fairly readily available. The rapid expansion in a number of economic research areas in the Service in recent years has added to the demand for BAE officers with research experience in the BAE.

28. The imbalance between the supply of officers in other areas of the Service who are suitable for promotion or transfer to the Bureau and the demand within other areas of the Service for BAE researchers can be shown by reference to staff movements in 1973-74. A summary is set out below.
In view of the Bureau's strong reliance on graduate recruitment as a source of staff, the organisation obviously has a strong interest in the efficiency of the recruitment process. At present, the graduate recruitment campaign is co-ordinated by the Public Service Board. The campaign usually commences in July and culminates in offers of appointment which are made progressively by the Public Service Board, usually from late November. The first graduates commence duty in January and the last arrives about the middle of the year. The key phases within the campaign are:

- campus interviews in which individual Departments discuss the areas of work and career prospects available to graduate trainees;
- the graduate selection test which is a vocationally oriented test;
- the graduate selection interview in which the graduates are assessed for suitability of appointment (graduates indicate Departments or work areas of preference and the interview committee provides a suitability recommendation);
- the graduate ranking whereby the Public Service Board ranks applicants in a national order of merit; this ranking is based on academic record, graduate interview and selection test performance;
the offer of appointment whereby the Public Service Board offers appointments in particular Departments to individual graduates according to the order of merit, availability of placement in the first-preference Department, etc.

30. It is appreciated that a degree of co-ordination in graduate recruitment is necessary to present a uniform Service-wide approach, prevent unnecessary and wasteful inter-departmental competition and provide for the equitable and even-handed consideration of all graduates' claims. The recent Coster Report reviewed the recruitment of graduates into the Service and made a wide range of recommendations to resolve many of the problems associated with this recruitment process. (8) However, the Bureau has special problems in relation to graduate recruitment which are associated with the research functions of the organisation and the nature of the work which graduates are expected to perform. While the Bureau has been able to recruit a satisfactory number of graduates in recent years who are at least reasonably suited to research work, the recruitment process has a number of deficiencies. These include the time-lag of up to six months between the first contact at campus interview and the offer of appointment. This makes it difficult for the Service to compete effectively with private enterprise which has the facility to make offers at campus interviews. The ranking and allocation process cannot be relied upon to match the interests and preferences of individual graduates with the Bureau's requirements. Partly as a consequence of the inefficiency in the allocation process, the competition between various parts of the Service extends into the administrative procedures following campus interviews, with attempts to influence the allocation of recruits and to gain priority in the processing of applications. Inefficiencies also exist in the scheduling of applicants for formal interview, whereby Bureau officers have often been forced to travel to State capitals to attend, on a given day, a small number of relevant interviews and a much larger number of interviews of candidates with unrelated professional qualifications.

31. The operation of the graduate recruitment scheme could be improved if the co-ordinating authority (the Public Service Board) arranged campus interviews during the first academic term of the year so that offers of appointment could be made by say June each year, conditional on the attainment of suitable academic results. The allocation process should be reviewed with a view to improving the balance between the special needs of Departments, the desires of the individual applicants and the necessity of the Board to treat potential graduate recruits for the Service equitably. Consideration could also be given to the Public Service Board handing over the appointment process to Departments once the conditional offer has been made. Departments would then need to re-apply to the Board for further allocations only where a conditional offer was not accepted or the prescribed conditions were not met.

Lateral Recruitment

32. Lateral recruitment from outside the Australian Public Service is also an important source of Bureau staff. In 1959 the Boyer Committee Report recommended a number of changes to recruitment procedures.

including the easing of restrictions on recruitment above the base level, to enable persons with special skills to enter the APS at a more appropriate level. Although this recommendation has been accepted, the time taken from the date a position is advertised until the appointee commences duty is excessive, particularly in the case of overseas appointees where the average time from the advertisement of a position to commencement of duty is of the order of 12 months, of which only about 2 months is normally required for appointees to terminate their former employment and finalise personal arrangements.

33. The approval of the Public Service Board and/or its delegate, the Public Service Inspector, is required at each of the five stages of recruitment from approving the advertisement of positions outside the Service to the final offer of appointment. In order to avoid unnecessary delays, it is suggested that these authorities should be involved in giving approval at one stage only, with the Department concerned having authority to approve and arrange the other stages in the appointment procedure.

Tenure of Employment

34. A number of the delays in the recruitment process appear to be associated with the need to offer permanent appointment to successful applicants for positions. The risks involved in making an offer of permanent appointment also tend to result in relatively low salary offers being made to applicants with post-graduate training or relevant work experience. While officers with such experience generally advance fairly rapidly, the initial salary they are offered does not encourage them to seek employment within the Service.

35. There are a number of possible ways in which these problems could be overcome, including some form of probationary employment prior to a decision being made as to an offer of permanent appointment. Alternatively, new recruits could be offered employment under contract for limited periods, with opportunities being provided for them to seek permanent appointment within the normal career structure during the course of their contract period.

36. In relation particularly to the needs of the BAE, there would appear to be substantial advantages in providing opportunities for employment of a number of senior research personnel under a limited period contract system, with salaries towards the top of the third division range. This would enable the Bureau to augment the numbers of senior staff without the risks involved in offering immediate permanent employment at this level through lateral recruitment from outside the Service. The lack of sufficient senior research personnel with experience and skills needed to take a leading role in research projects has been a severe limitation on the Bureau's work in the past, even though considerable efforts have been made, and will need to continue, to meet this deficiency through post-graduate and other training of Bureau officers.

Establishment and Organisation

37. The existing arrangements associated with variations in establishment (number of positions), organisation (arrangement of positions) and classification (level of position within a work group
structure) appear to be unnecessarily time-consuming and legalistic. The existing arrangements tend to hinder the Bureau's capacity to respond quickly to meet changing research needs associated with the revision of policy priorities, the emergence of new problems and changes in the economic situation in the rural industries. For example, it is recognised that, in the present relatively unstable economic situation, there is an urgent need for up-to-date information relating to the state of the economy, including the rural sector, to be made available to the Government as an aid to economic management. However, the Bureau's capacity to quickly expand its activities in the area of providing short-term indicators of the economic situation in the rural industries is severely limited.

The Bureau's experience in establishing its new Marketing Branch provides another example of the lack of capacity for timely response to changed circumstances within existing administrative arrangements. In August 1973 the Prime Minister agreed that the Bureau should accept responsibility for economic research into marketing systems. The Department conducted a comprehensive survey of establishment and organisation requirements and submitted a proposal to the Public Service Board in January 1974. Even accepting the time lags caused by the re-introduction of staff ceilings and other measures of restraint, Class 9 and Class 10 positions were not created until the end of November, sixteen months after Prime Ministerial authorisation and thirteen months after Cabinet and Ministerial direction to conduct specific projects into marketing systems (e.g. retail meat margins). The Public Service Board has also recently withdrawn its approval for all positions below the Class 9 level.

Particular difficulties arise in convincing the Public Service Board of the need for establishment variations in relation to research organisations where work output cannot be measured by the volume of paper flowing through the organisation or by any other simple and objective criterion. Recent initiatives by the Public Service Board in the field of bulk establishments and in the flexible use of staff and establishments are welcome. It would appear desirable, however, for organisations such as the Bureau, and possibly for Departments in general, to be given a greater degree of control over establishment and organisation in order to ensure a more timely and adequate response to new or revised work program and priorities.

It would also seem desirable for the Bureau and other similar organisations to be given a greater degree of control over the classification of positions. When considered in relation to the needs of a research organisation, the present classification of positions at the upper levels of the structure tends to focus undue attention upon the management and supervisory characteristics of the position. Such characteristics are important in the classification process, but professional contribution should also be recognised, particularly within a research environment. Hence, it appears appropriate that there should be two avenues to higher classification, i.e. management responsibility and professional contribution. In some situations it may even be appropriate for a higher classified professional contribution position to report to a lower classified research management position. Arrangements of this kind might be particularly suitable if, as suggested above, a number of senior research personnel were employed under a contract system. The benefits
gained from the organisational ability to implement such arrangements could be substantial, since individuals who are proficient at research work do not necessarily make good managers.

41. The present rigidities in the classification of positions also tend to create problems in maintaining continuity of staff engaged on long term research projects. In some situations, the promotion to another area of an officer engaged on a long term project provides a desirable opportunity to review progress of work and to re-arrange priorities, but situations also arise where good progress is being made and the departure of the officer concerned disrupts progress on research projects. It would be desirable for the Bureau to have greater flexibility to be able to implement arrangements to give recognition to the development of an officer's abilities without disrupting long term research projects by promoting the officer concerned to another area.

42. The broad banding of the classification structure, coupled perhaps with suitable salary bars, is one possible arrangement which might help to overcome such problems. It is envisaged that a position might be classified broadly, for example, as a principal research officer position, and that it would be left to the discretion of the Bureau whether it would be filled by an officer at the Class 8 or Class 9 level. This would enable the position to be filled initially by a Class 8 officer, but the opportunity would be available to maintain the officer concerned in the position at the Class 9 level if this was considered appropriate.

43. Greater flexibility in the organisation and classification structure could also be provided by the pooling of positions within the organisation, thus leaving the classification and organisation of positions in relation to work areas largely to the discretion of the Bureau. Some flexibility in relation to organisation exists at present with the delegation to the Permanent Head of the power to alter the duties of positions. However, greater flexibility in this area, including the ability to re-classify positions, would help to prevent the disruption of work projects when officers receive promotions within the organisation and could also help to facilitate a more rapid response to changes in policy priorities and the emergence of new problems.

44. Some external constraints on establishment size and staff numbers in various organisations within the Public Service structure are probably necessary to limit the growth in public spending and to prevent inefficient use of resources. It is not clear, however, that direct limits on the number of positions or staff ceilings are the most efficient constraints to use in this context. An overall constraint on the size of the Bureau's budget would be an effective device to limit the growth in spending on administration and such a mechanism would also have the advantage of enabling the organisation to make cuts in the growth of expenditure in areas where such cuts can be made with the minimum adverse impact on work programs.

Financial Management

45. The Bureau has made some progress toward developing a system of budgeting based on estimated expenditures in relation to programs of activity. At present this system is used for internal management purposes and in developing forward estimates of total expenditure on
46. It is evident that curtailment of estimated expenditure on particular items may create an imbalance of programmed expenditure for projects conducted by the Bureau. This imbalance results from Audit Act and Treasury Regulations which prohibit the transfer of funds from one item to another. It would appear that Treasury tends to be primarily concerned to contain total Departmental expenditure, or its percentage rate of increase, and cannot take into account the consequences for various work projects of cuts in the estimates for particular items.

47. A difficult situation could develop, for example, as a result of the relationship between the estimated expenditures for salaries and overtime. The estimated expenditure for salaries is framed upon anticipated staffing levels for the year. The overtime budget is, to some extent, based upon that level, taking into account staff ceilings and anticipated workloads. Hence, failure to achieve the anticipated staffing level could result in a surplus of funds for salaries and an associated increase in the need for overtime to be worked. However, it is not possible to use the surplus funds for salaries to finance increased overtime.

48. Because the existing financial arrangements include parliamentary scrutiny of Departmental appropriations and expenditure, there is subtle pressure to focus attention on fully expending an allocation rather than ensuring the most efficient and effective utilisation of resources. This pre-occupation with complete achievement of budgeted expenditure may tend to prolong inefficiencies and misallocation of resources within Departments. Thus Departments with consistently increasing expenditure are rarely disadvantaged in pre-Budget discussions but Departments with fluctuating estimates can be subject to closer scrutiny and reductions which are difficult to absorb.

49. A system of budgeting based on programs of activity would be preferable to the present system based on items of expenditure. Within the total budget for an organisation such as the Bureau, it would be desirable to allow funds to be transferred from one program of activity to another during a financial year, in response to changes in work priorities. The Bureau is conscious of the necessity to safeguard public moneys, but an undue emphasis on administrative detail tends to detract from the overall objective of efficient allocation of resources.

Other Management Problems

50. Apart from the more general problems outlined above, the Bureau has identified a number of specific problems which affect the timeliness and flexibility of its management, relating to the activities of co-ordinating and controlling areas of the Service, including the Public Service Board, Treasury, the Australian Government Publishing Service, the Department of Housing and Construction and the Department of Services and Property. The problems are identified in point form below:

- The expenditure (on stores, supplies, printing, services etc.) of all Departments is subject to Treasury regulation. In the current regulations (Regulation 51) at least 3 quotations are
required for expenditure under $400 and 5 for that under $1,000, whilst sums over $1,000 must usually be referred to the Stores Supply and Tender Board for arranging of tenders. In addition, where the expenditure exceeds $100, quotations must be in writing. These current financial limitations do not accord with present price levels and unnecessarily impede the day-to-day operation of a Department.

The Australian Government Publishing Service is responsible for the co-ordination of all Departmental publication programs, the financial management of which is subject to Treasury Regulation 51. The Bureau finds it extremely difficult to arrange for the publication of urgent material quickly, even though the cost per publication rarely exceeds $2,500.

Existing procedures (partly relating to the Treasury regulations) require the concurrence of at least 2 and often 3 Departments for office alterations and maintenance costing over $1,000. The Departments concerned are Treasury, Housing and Construction, and Services and Property. Recent experience suggests that it takes at least 6 months to effect office alterations of this type.

The Public Service Board, or its delegate, approves each application for temporary employment from the Bureau. Where this employment is of a short term nature to overcome some temporary staffing difficulty, this seems an unduly cumbersome arrangement.

Service regulations make no distinction between Papua New Guinea and New Zealand and the more distant overseas countries in relation to recall to duty and interviews of applicants for BAE positions. This approach appears unduly restrictive as the implications of decisions and the costs involved in the former cases are not dissimilar from those of movements within Australia.

Common elements in the first three problems identified above are the limitations and restrictions placed on Departmental finance managements by Regulation 51 of the Treasury regulations. This suggests that this regulation and its accompanying limitations and restrictions should be reviewed immediately and that such reviews should take place at least once every 2 years in the future. For the rest of the problems outlined above, it is suggested that Departments be given greater control of the operations, with the co-ordinating authority exercising some type of spot check or auditing function as it sees fit.

CONTROL AND CO-ORDINATION OF ADMINISTRATION

The staff and management problems discussed above raise general issues concerning the degree of administrative autonomy which should be accorded to an organisation such as the Bureau, and the nature and extent of control which should be exercised by external agencies. In relation to some aspects of administration, such as graduate recruitment, arrangement of office accommodation and publication arrangements, a degree of co-ordination of the activities of different organisations and Departments within the Public Service structure is desirable to avoid duplication of
facilities or to achieve scale economies in the provision of services. However, to a large extent, the influence exercised by external authorities is aimed at providing a control over the activities of organisations within the Public Service structure to ensure that certain standards are maintained and that funds are properly used and adequately accounted for.

53. There are some areas, including the graduate recruitment function mentioned earlier, where improvements appear to be required in the co-ordinating activities of external agencies. More fundamental questions of principle appear to be involved, however, in relation to external control which is exercised to ensure that standards are maintained or that funds are properly used. There is obviously a need for some form of external control in these areas, but the present detailed regulations and procedures which require external approval, often at many stages in relation to relatively minor administrative decisions, generate unnecessary work, create delays and cause diffusion of responsibility with an associated loss of efficiency.

54. A major responsibility of the co-ordinating authorities is approving (or allocating) organisational resources (e.g. establishment and finance). Within the constraint that the resources are to be applied directly or indirectly in pursuit of the Department's approved functions, two factors appear significant in determining the level and quality of approved resources. These are:

(i) the co-ordinating authority's perception of the claimant Department's evidence of need; and

(ii) the co-ordinating authority's perception of the equitable resources allocation in the context of Australian Government policies, guidelines and priorities.

55. Problems arise in particular because the perceptions of a co-ordinating authority are often not based on all the information needed to make rational decisions. A considerable amount of time has to be spent in convincing co-ordinating authorities of the need for even relatively minor administrative changes and expenditures. The detailed manner in which the co-ordinating authorities exercise control necessitates delegation of responsibility within these authorities and the establishment of standard procedures which duplicate work within the claimant Department and create delays. Although co-ordinating authorities seek to ensure that resources are used efficiently, it would seem that the manner in which these authorities exercise control at present may tend, in effect, to hinder efficient use of staff, finance and other resources.

56. It is difficult to make any overall judgment concerning the extent to which it might be possible for the detailed controls exercised by co-ordinating authorities to be relaxed, or replaced by more general control mechanisms without any overall loss in efficiency in the use of resources in the Service as a whole. In the particular case of the BAE, however, substantial gains in efficiency would appear to be possible under a system in which the need for prior approval of all minor administrative decisions was removed, and external administrative control was exercised through a total budget constraint combined with provisions to enable co-ordinating authorities to monitor administrative decisions of the organisation and to prepare appropriate reports for the Permanent Head, the Minister and Parliament.
SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

It is desirable that recognition should be given to the nature of the BAE and other similar organisations as distinct and independent research bodies within the Public Service structure (paras 2-14).

Legislation to define the status and role of the BAE could help to ensure the continued independence of the organisation in relation to research functions and publication of results, but there does not appear to be any statutory organisation which would provide an appropriate model to use in forming such legislation. Care is needed to ensure the continuation of interaction between the Bureau and the various Divisions of the Department of Agriculture (paras 15-18).

The nature of the Bureau's work requires the organisation to be geared toward the development of officers as professional research economists. Opportunities for part-time study and formal post-graduate training have helped to build up the skills of Bureau officers, and the employment of consultants has also made a contribution in recent years. The Bureau also has a special interest in the possibility of sabbatical leave for research staff and in arrangements to facilitate an exchange of officers with similarly oriented research organisations (paras 22-26).

The demand in other areas of the Service for Bureau research officers far exceeds the supply of officers in other areas of the Service who are suitable for promotion or transfer to the research areas of the Bureau. The Bureau is consequently forced to invest heavily in recruitment and development of graduate trainees and in lateral recruitment of staff (paras 27-28).

A degree of co-ordination of graduate recruitment for different parts of the Service is desirable in principle; however, present arrangements are not satisfactory, particularly in relation to the timing of campus interviews, the time-lag between interviews and employment offers and the basis for allocation of officers between Departments (paras 29-31).

Delays in the lateral recruitment process are excessive, particularly in the case of overseas appointees; a reduction in the number of stages in the process where approval is required from the Public Service Board or the Public Service Inspector would help to reduce delays (paras 32-33).

A degree of flexibility appears desirable in the tenure of employment offered to successful outside applicants for positions within the Service. An offer of a period of probationary employment or a term of employment under a contract system would reduce delays in the recruitment process and involve fewer risks than immediate permanent appointment (paras 34-35).

Arrangements to enable the Bureau to employ a number of senior research personnel under a limited period contract system would
help to augment the number of senior staff needed to take a leading role in research work (para. 36).

Present administrative arrangements relating to variations in establishment, organisation and classification of positions tend to hinder the capacity of the Bureau to respond quickly to meet changing research needs. It would be desirable for the Bureau to have a greater degree of control over these administrative arrangements in order to ensure a more timely and adequate response to new and revised work programs and priorities (paras 37-40).

Rigidities in the classification of positions create problems in maintaining continuity of staff engaged on long term research projects. It would be desirable for the Bureau to have a greater degree of control over the classification of positions through the pooling of positions or through some form of broad banding arrangement (paras 41-43).

Constraints on the size of the budget of organisations such as the Bureau would appear to be preferable to direct limits on establishment size or staff numbers as measures to contain growth in public spending and to prevent inefficient use of resources (para. 44).

Within the Bureau's total budget it would be desirable to allow funds to be transferred from one item of expenditure to another during a financial year, to allow flexible response to changes in work priorities (paras 45-49).

The detailed manner in which co-ordinating authorities exercise control over such matters as establishment and finance may tend, in effect, to hinder efficient use of staff and other resources. In the case of the Bureau, substantial gains in efficiency would appear to be possible if detailed controls involving prior approval for minor administrative decisions were replaced by more general control mechanisms (paras 52-56).
ROLE OF THE BUREAU OF AGRICULTURAL ECONOMICS

The role of the Bureau of Agricultural Economics is as follows:

1. It is a fact-finding body which will systematically undertake research into the economic problems of primary industries;

2. It acts within the Australian Department of Agriculture as a distinct economic research organisation and functions as such in relation to all Divisions of the Department, except fisheries, and thereby obviates the need for economic research staff in those Divisions;

3. Its services are available to all other Commonwealth and State Departments and primary industry organisations;

4. It should be free within the scope of its approved activities to carry on direct relations with other Commonwealth and State Departments and Instrumentalities and to consult with primary industry organisations. Following a particular investigation it is free to submit the results independently, together with its own conclusions, to the authorities concerned;

5. Within the broad limits of its approved program of research and investigation it should be able to conduct its enquiries freely in relation to all Divisions and Boards of the Department, other Commonwealth Departments, State Departments and primary industry organisations;

6. The fact-finding and other reports of the Bureau should be given maximum use by way of dissemination to Governmental agencies and the public generally. The extent of dissemination is dependent upon the nature and content of each report; nevertheless, the general aim should be the maximum publicity of factual material. Interpretative material involving Government policy should be recorded separately from the factual sections of Bureau reports;

7. The Bureau should be a service unit not seeking to exercise administrative functions, nor responsible for executive administration. Its findings should influence administrative decisions and activities. It should suggest reasonable policy interpretations of its own work and should assist in policy formulation where it appears that its investigations are relevant;

8. There should be some kind of machinery - informal or otherwise - whereby its programs of work can be discussed by the administrators concerned;
subject to everyday commitments and the demand for investigations of particular projects and problems from Commonwealth and joint Commonwealth/State authorities, the Bureau should have freedom to direct its activities into the fields where it considers work most necessary;

the Director of the Bureau is responsible to the Secretary, Australian Department of Agriculture for the overall performance of the Bureau. The Director, however, is not subject to direction either as to the methodology employed by the Bureau or as to the conclusions reached by the Bureau on the basis of its investigations. The Director has access to the Minister in respect of any matters relating to methods and findings.