



Advice under pressure: the OzCar controversy – TEACHING NOTES

Synopsis of case

On Friday 19 July 2009, sensational claims that Australia's then Prime Minister, Kevin Rudd, had misled parliament made front page news, prompting opposition calls for both Rudd and the Treasurer Wayne Swan to resign on account of corrupt behaviour. Both were said to be implicated in political interference for the financial benefit of a friend and donor.

Documentary evidence for this claim was in an email allegedly sent by the Prime Minister's Advisor, Dr Andrew Charlton. During an emotionally-charged hearing of the Senate Economics Legislation Committee that afternoon, the opposition repeatedly attempted to question senior Treasury Advisor Godwin Grech, the administrator of the "OzCar" finance guarantee scheme, about the existence and origin of the email, and his contacts with the journalist, Steve Lewis, who wrote the article. Senior Treasury Manager David Martine gave the majority of answers, leaving many with the impression that a clearly stressed Mr Grech was being almost physically prevented from answering, and garnering sympathy for Grech as a diligent public servant risking all for the truth. Prime Minister Rudd, however, wholeheartedly supported Dr Charlton's claim that he had never written such an email.

Support for the "workaholic" Grech, a trusted Treasury employee for a number of years, continued despite the discovery of a faked email on his home computer over the weekend, and opposition attacks on the government continued while both the Auditor-General and Australian Federal Police conducted investigations. The Parliamentary Privileges Committee met to investigate "possible adverse action" against Grech after his evidence. The Auditor-General's report, published on 4 August 2009, exonerated the Prime Minister and Treasurer but criticised Grech for inappropriate behaviour, and Treasury for poor staff management. The same day, it was revealed that Grech was currently in a psychiatric hospital, to which he had admitted himself. Though his employers knew he had a number of physical health problems they did not know he had recently been diagnosed with chronic depression. The report findings prompted a new Committee of Privileges investigation, this time considering

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whether misleading evidence had been presented. This investigation, published on 25 November 2009, uncovered more than a year of actions and strategies orchestrated by Godwin Grech and designed to bring down the Rudd Labor government and reinstate a Liberal one, led by Malcolm Turnbull. While the Committee found that Grech had lied to the Senate Economics Committee hearing, it declined to make a finding of contempt against him because of his poor health. Godwin Grech subsequently resigned from the public service, without facing any disciplinary action.

How this case could be used

This case could be used in a range of courses dealing with the political environment and the interface between appointed officials and elected politicians. Ideally it would be introduced after some of the major issues have been covered theoretically.

This is a case that works at a number of different levels. It offers some fascinating insights into the reality **of relationships between ministerial offices and public servants**, and their respective roles. It was originally developed by Dr Anne Tiernan to prompt some critical thinking and reflection in her specialist research area of ministerial relationships with public servants, with particular focus on the contemporary advisory system when it is under pressure. As such there are a number of discussion areas around trust, responsiveness, accountability and management. Alternatively, from **a public administration** perspective, Treasury's response at a time of crisis could be examined in depth, for instance with questions whether more project management and implementation resources should have been called on. This leads on to the more general question of the **monitoring and control systems** that might be expected to be in place, both for projects and for employees.

There is also the potential to focus more directly on the many issues of **ethics** raised by the case, and associated with it, or quite separately, the wider **human resource management** implications. While the case describes an extreme example of behaviour by an individual under stress of both physical and mental illness, the story also contains pointers to potential problems that could arise in a number of pressured workplace situations. The teaching focus should steer discussion away from "shock, horror" comments and to emphasise that pressure and stress do not always lead to mental illness, but do always call for some management intervention.

Of wider relevance, and again to be seen in the context of monitoring and controls, is the role that personality type and work habits played in the evolution of the problem the case describes. Working long or unusual hours is known to be an indicator for aberrant behaviours, including fraud. Experts suggest that Grech showed obsessive-compulsive personality traits, with feelings of grandiosity, and these, as much as the diagnosis of depression, as well as political pressures and personal allegiances, are all likely to have contributed to his behaviour.

Many if not all managers will at some stage have to deal with an employee suffering from stress-related, psychiatric or personality problems and the story provides an opportunity to explore ways to identify such people at an early stage and manage them appropriately. This is one aspect of **leadership**. The case also lends itself to exploring some of the pressures on and dimensions of leadership, not only in the political sphere.

Part A of the case puts the reader in the position of Godwin Grech's managers and colleagues at Treasury. He was one of many dedicated staffers working incredibly long hours to meet the demands of a new, high-energy Prime Minister at a time of unprecedented financial crisis; because of his seniority and experience he was put in sole charge of a significant project. At such a time his determination to come back to work rather than complete his recovery from hospitalisation would have been seen as commendably going beyond the call of duty. He was an eccentric in a workplace full of highly intelligent and often quirky people. There was no apparent track record of deceit to set against his account that an email had gone missing. He seemed the victim of senior manager bullying during the appearance before the senate committee; against this image, Kevin Rudd's display of total confidence in Andrew Charlton must be seen as an act of considerable political courage.

Part B of the case rapidly unpacks the house of cards constructed by Godwin Grech and somewhat devastatingly for his Treasury colleagues, demonstrates a long and calculated pattern of deceit probably originating with the change of government, and graphically illustrated by the excerpts from emails and other publications. Again, this poses some powerful questions about the management of vulnerable individuals and possible early warnings about mental illness.

Target audience for the case

Public servants at the middle and senior management level; it could also be appropriate to use the case as part of the induction for public servants who will be working more directly with ministers, and for parliamentary staff themselves.

Suggested student assignments/question lines (*with possible answers*):

A. Ministerial relationships and public administration

1. Prime Minister Rudd's commitment to "re-instating trust in and the independence of the public service" is a restatement of a simple yet important principle of public administration. What evidence/lessons from this case study justify such a need?

(Senator Robb's comment that this is 'the way business is done'; the relationships between public servants and the Government, Opposition and media; failures in public administration; the blurring of the roles of politicians and public servants.)

2. The Global Financial Crisis provided the impetus for the Treasury Department exerting greater influence over policy development and implementation under the Rudd Government. What were the adverse impacts of this in case of "OzCar"?

(Policy rationale; the work environment; the project management model (a single person to manage a \$2B project); procurement shortcuts; inadequate supervision/governance.)

3. Is it conceivable that there was no follow up discussion after the Senate Estimates process involving Mr Grech and senior Treasury officials, particularly given the political impact of the hearing and the confusion with respect to the "email"? What would you expect to have occurred?

(This was a major political issue at which the integrity and future of the PM and Treasury were under question; no debrief; no strategy to determine the factual situation; no change to the project management model.)

4. Mr Grech admitted to “errors of judgement”. What were those errors of judgement and what were his inappropriate actions as a public servant?

(Consider his relationship with Government, the Opposition, Treasury officers (particularly senior management) and the media; his personal political views; the departmental “Code of Conduct”; his actions before, during and after the Senate hearings (including his decision to forward the “fake email” to the media and note his supervisors); his health; workload issues; the accountability/supervision arrangements.)

5. The “Oz Car” affair demonstrates significant gaps in Treasury’s public administration, accountability and governance. What is the evidence which supports this claim? Was there, for instance, a culture of individualism and eccentricity within Treasury that allowed ‘at risk behaviour’ to go unnoticed, or at least, under-monitored?

(The project management model; workload/work demands; procurement processes; duty of care issues; supervision; no debrief; no apparent follow up to determine the validity of claims made in the Senate hearings; no disciplinary processes against Mr Grech or anyone else.)

6. There was no action against Mr Grech (or the Treasury) arising from the Auditor-General’s report, the Senate Committee of Privilege, or the departmental investigation. What reasons could you advance to explain this?

(Management issues in Treasury; general embarrassment to the political/parliamentary processes; the role played by the media; the replacement of Mr Turnbull; Mr Grech’s illness and resignation.)

Ethical questions and other issues

The Auditor-General’s report contrasts the public claims involving Mr Grant and the PM’s and Treasurer’s offices against the “private” actions of Mr Grech (and Credit Suisse’s Mr O’Sullivan) to support “Dealer 7”. Is this a reflection of the failure of public administration processes in Treasury or the inappropriate actions of a public servant? What action could you have expected from the Report?

Are there any ethical issues for the Prime Minister in accepting the gift of the “ute” from Mr Grant? Are there any ethical issues for Mr Turnbull, the Opposition Leader for his pursuit of the PM and Treasurer based on the information from Mr Grech?

Peter Thompson has written a useful book, *Persuading Aristotle*, that addresses how the **media** deals with issues. Following Aristotle, he argues that all stories are framed according to three dimensions:

Ethos: character

Pathos: passion, emotions

Logos: reasoning and logic

Peter argues that ethos and pathos are more persuasive, and politicians understand that.

What were the issues at stake in this story across these dimensions?

Ethos: Integrity, probity, leadership, judgement, truth.

Logos: Was parliament misled? Were lines crossed? Process? Is the email a fake?

Pathos: betrayal, anger, cynicism/depression, bewilderment.

What **investigative and accountability processes** were triggered by the events of 19-24 June 2009? The allegations in this case have been investigated by the Senate Economics Legislation and Estimates Committees; the Departments of Treasury, Prime Minister and Cabinet, and the Attorney-General; the Australian Federal Police; the Australian National Audit Office and the Senate Privileges Committee. Were these adequate or timely, given the eruption of the media firestorm?

What **risk management** changes might Treasury want to consider in the wake of this experience? (e.g. not having one person in sole charge of a major program; IT and other systems in place to ensure communications are not inappropriate; role of organisational structures in terms of control and access).

(This could lead to an examination of the protocols that might be put in place to ensure the “safety” of any public servant seconded to work in a ministerial office where the personal charisma or political pressures might be hard to avoid “capture.” For instance regular debriefing with a senior manager to ensure an objective view is maintained; setting a time limit – maybe as little as twelve months - to such secondments.)

Suggested teaching plan:

Aim of discussion: To bring some understanding of the complexities of the relationships between public servants and minister, in particular the contrasts between and boundaries of the advisory role of the public servant, and of the politically appointed ministerial advisor.

Opening question:

Do you think OzCar was a political crisis? Why or why not? What are the implications for the political, parliamentary and public service leadership in such a crisis and do they completely coincide?

Capture suggestions on the board then follow up with the summary below:

Boin, ‘t Hart, Stern & Sundelius (2005) identify five critical tasks for leaders during crisis events:

1. Sense-making: appraising the threat, deciding what the crisis is about, determining how threatening events are – to what or whom, what the parameters are; how the crisis is likely to develop.
2. Decision making: determining an appropriate initial response; prioritising the allocation of resources; co-ordination.
3. Meaning-making: responding to citizen demands to know what is going on; developing and communicating a compelling narrative about what the crisis is about.
4. Terminating: returning to normal. Shifting from crisis to routine.

5. Learning: political and organisational lesson-drawing.¹

Transition/discussion questions:

What actions do you think were necessary at each stage of the OzCar crisis?

What advice did decision-makers require as a consequence of:

1. Grech's appearance at the Senate Economics Committee on 19 June?
2. Publication of Steve Lewis' article alleging improper interference by the PM and/or Treasurer in respect of John Grant?

What were the respective roles and responsibilities of public servants and staff in ministerial offices in preparing and delivering that advice?

This could be explored through group discussion or role play, with different groups taking the parts of the prime minister's office, the Treasury, and the office of the leader of the opposition on 19 June.

Main question and discussion:

Let's focus more closely on the role of the public service policy advisor. What particular challenges does he or she face in a high-pressure, high-stakes environment, where decisions and advice need to be well-judged but must be made and given rapidly. How does the role, and therefore the challenges and pressures, differ from that of the political appointee in the Minister's office?

Draw out suggestions to list on the board, and prompt to fill gaps using the list below, which can be shown as a summary:

Contemporary challenges for policy advising

Responsiveness - What is it? What are its limits?
Relations with Ministers and their offices
Complexity, pace of change
Balancing the strategic with the reactive
Improving advice on implementation
Co-ordination – esp. whole of government
Engaging citizens in policy-making

Closing and summary question

If we were drawing political and organisational lessons from this affair, what would they be?

- About relations between ministers and public servants?
- About the professional obligations of public servants
- About implementation and delivery?

¹ Treasury in its December 2011 Strategic Review indicated a number of lessons learned both about people management – enabling better work-life balance – and project management and implementation, as well as protocols for interaction with business and other stakeholders.

- About oversight and accountability?
- About the media and the news cycle?
- Others?

Audio-visual aids

The complex timeline and large number of characters could make this a difficult case to follow. To assist, there is a supplementary exhibit (2012-111.4) giving the “Cast of characters” involved in the story, which may be handed out at the start of the discussion or provided for pre-reading.

ANZSOG students can have access to the interactive timeline charting the events of this case which has been developed by Griffith University’s Flexible Learning and Advisory Service. Enquiries about this should be made to A/Prof Anne Tiernan, via Tracee McPate t.mcpate@griffith.edu.au.

The ABC program *Australian Story: Paths of Glory*, includes a section “The Utegate Drama Unfolds”, which shows the shock and surprise in the Malcolm Turnbull office when the email was revealed to be fake. It can be seen at:
<http://www.abc.net.au/austory/specials/pathsofglory/default.htm>

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