

The Devil's Advocate – Ian Watt, Department of Finance and Administration

The Budget, according to the head of the Department of Finance and Administration, Dr Ian Watt, is the biggest single thing that Government does year in, year out. So it is not the sort of place you want to make a mistake when you are a rising young section head in the Treasury department. And if you make a mistake, the worst time to find it must be around 4 pm on Budget day when the media lock-up is underway and it is only a matter of hours before the Treasurer, Paul Keating, rises to deliver his statement on the new direction for the economy.

But that is precisely the situation Dr Watt found himself in as an executive officer responsible for the Budget speech in 1986. "I think that was close to my worst day in the public service", he says. "I mean Treasury treated ... these things as something close to Holy Writ – the Budget speech is very, very important. It had to be right. Now we couldn't correct that error. It was too late. The thing had been printed. It was in the lock-up." No corrigendum was issued. Treasurer Keating simply didn't deliver the offending sentence when speaking in the House later that night.

"What did that teach me?" Watt asks. "What the relevant person in the then Department of Finance who was clearing the speech had been trying to tell us was that there was a mistake. They hadn't actually said so in so many words. They had been re-writing the sentence. We in Treasury thought their change was only stylistic. And, therefore, we'd been re-writing it back again. What that taught me was to think carefully about what people tell me."

Watt was appointed Secretary of the Department of Finance and Administration in January 2002, after nearly a year as Secretary of the Department of Communications, Information, Technology and the Arts. Born in Preston, in Victoria, and an only child whose mother died when he was young, Watt came to Canberra in 1973 after a year as a Treasury cadet when he completed a Bachelor of Commerce degree with honours. But Watt's public service career was interrupted when his father became ill and he decided to go back to Melbourne to look after him. In Melbourne he pursued his studies, completing his masters and his doctorate at La Trobe University where he taught for ten years. In 1977 his father died but it was not until 1985 that Watt returned to the public service in Canberra.

Watt says outside Canberra people tend to think that the Budget is all Treasury's work. But other public servants know that one of Finance's key roles is its work

on the Budget. The separation is not always clear, but broadly speaking Treasury does the macro-economic side and revenue, and Finance does expenses, non-tax revenue and the accounting. Watt says that for part of the year Finance seems to work as much with the Treasurer as with the Minister for Finance.

Apart from the Budget, Finance is also responsible for the Government's financial framework, maintenance of the Government's financial accounts, management of a small property portfolio, advice on government business enterprises, an assets sales taskforce and ministerial and parliamentary services to Members, Senators and their staff. Most recently the department has also become home to the Australian Government Information Management Office, which is responsible for providing whole of government advice on information technology issues.

To other departments, Finance is the bogeyman agency, the department that critiques, and often opposes, their spending proposals. "You would always expect departments ... to be enthusiastic about spending on their programs", Watt says. "You would also always expect that not everyone would share all of their enthusiasm."

He rejects any suggestion that Finance automatically adopts a "No, or less" position on these proposals. "I'd say to people, Finance should never be afraid to support a good investment ... but it's got to be a good investment. And a good investment doesn't mean one that the department concerned supports, or thinks is important. Nor does a good investment necessarily mean – even if you accept that in terms of the department's own priorities it's the right thing – it doesn't necessarily mean in terms of the whole of government priorities, it's the right thing."

He says Finance not surprisingly often comes out with a somewhat smaller sense of what's highly desirable expenditure. "But when you look at it, we don't say no or less to every proposal." Do you ever say more? "Yes, on occasions, we have. I don't think there are many but I can remember four or five in the last couple of years in which we've been prepared to do that. Now they'd be the exception, not the rule. Equally there are a lot of proposals that we actually support."

Watt says the discussions between departments are conducted in a thoroughly professional fashion. "We have different points of view on some issues", he says. "That's fine. That's expected. We conduct ourselves professionally on all occasions and I believe other departments do the same."

He says his staff sometimes come to him over a difference of opinion where another department Secretary might wish to talk to him. "I would always take the call if it was made (often it's not), listen to the issue that was raised with me, think about it, talk to my officers and go back. You won't be surprised that normally I would support my officers' positions but I'm no rubber stamp. I

would always think about what any of my senior colleagues from other departments say to me. I have never felt that any of my colleagues would pressure me unreasonably or unfairly or at all, to change my department's views because it suited them. I think they respect our views on saying 'No' sometimes, just as we respect their views of putting forward good ideas to government. It's just that we can't afford all of the good ideas."

The other big ticket item currently consuming Finance time is its responsibility for T3, the Telstra share sale. T3 is the largest, or the second largest single Australian share offer, and Finance is responsible for providing advice on the sale. To do this it will engage global co-ordinators who will be three or four major investment banks who will run the sale. All contracts will be with the department or under its authority. The global co-ordinators, who are best placed to know the market, will provide advice on the share price and all other aspects of the sale, and the department will then advise the minister responsible for the sale, Senator Nick Minchin.

Watt says the thing he is most proud of is being a leader in the Australian Public Service but he adds that, "being a Secretary doesn't make you a leader." Leadership to Watt is having a vision about where the organisation should go. "I emphasise to my people all the way down the chain, we're all leaders, in our own field," he says.

Asked about the constraints imposed by government he says that one has to operate by definition within the broad framework that government sets for the department and the public service. "It's not much good me having a vision of Finance being something that does all these wonderful things if the Government is not interested. But virtually every leader operates within a constraint. Within that framework I have a wide scope, flexibility to set a vision and an agenda for my organisation."

If, for example the Government wanted Finance to be tough on budgetary issues, what would that mean? "Does that mean I create an organisation which is expert at mugging people on the way to the cabinet room? I don't believe I do that. Do I create an organisation which has the intellectual horsepower to argue with their counterparts about what is necessary spending, what's not, what's high priority, what's not. That's what I try to create."

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