



Institution-building at the Department of Climate Change: administrative leadership of a roller-coaster ride (C)

Recalibrating the Energy Efficiency Group: from crisis to renewal?

As 2010 advanced, Martin Parkinson had to face the reality that emissions trading was no longer the main game for his department, and that the original policy exercise had been superseded. In early 2008, he was building a boutique policy agency with just over 200 people. By April 2010, his department was four times the original size envisaged; it had a large number of regulators within the department but nothing more to regulate than in 2008; and now included the Energy Efficiency Group of divisions which was a “department within a department”. The department’s original mission had been widened dramatically. DCCEE was now a large, amorphous, heterogeneous, compartmentalised, crisis-ridden agency that had grown like Topsy but not according to a coherent plan.

By mid 2010 much of the department’s attention was directed towards its two new energy efficiency divisions, which were clearly in crisis. When Martin Bowles arrived from Defence he found the Home Insulation Program (HIP) in disarray. Along with Malcolm Thompson, recently promoted in DEWHA to work on these issues, Bowles had to deal with the consequences of past decisions made by DEWHA, issues clinically unpacked in the Hawke, Faulkner and ANAO reviews.¹ There were information problems aplenty, figures that did not add up, inconsistencies in practice, and paper trails that did not correlate with funding approvals. There was a lack of discipline and due process shown by staff, and evidence of extraordinary stress and busyness but not much effectiveness. The people who had designed

This case was written by Professor Paul ‘t Hart (Australian National University and Utrecht University, the Netherlands) and Professor John Wanna, (Australian National University.) It has been prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. Disclaimer: All views represent those of the authors. DCCEE has assisted with preparation of the case study, but does not necessarily endorse the assessments contained herein.

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¹Hawke, A, ‘Review of the Administration of the Home Insulation Program’, 6 April 2010; Faulkner, P., ‘Independent Inquiry in to the Green Loans Program’, 8 July 2010; Australian National Audit Office, ‘Audit Report No.12 2010–11. Home Insulation Program’.

the original HIP had long gone, and over the next few months, most of the senior people managing the HIP when it was transferred to DCCEE also left, exhausted from the recovery efforts underway from late 2009. Similar problems abounded in Green Loans, with Thompson having to establish an entirely fresh Senior Executive Service structure. At both SES and non-SES levels, this period saw significant turnover – indeed, almost immediately after the machinery of government changes in March 2010 around 40 people went back to their home department rather than remain with DCCEE.

Two problems immediately arose in the management of the energy efficiency implant. First there was a need to show understanding to fellow public servants, develop pastoral care for those involved, and restore some of their commitment. Many energy efficiency staff felt “traumatised” and “damaged”. They had to be given space and support to allow their emotions to settle down. A second problem was that some staff from the former DCC felt that they met with “a wall of resistance” when they entered the energy efficiency group to assist. People were suspicious, they felt pushed about, and tolerated dysfunctional behaviour and leaking. The leaks, in particular, were confronting to the main department.

Managing change, building trust

DCCEE executives commenced an extensive change management exercise. The new executive team needed to build trust. To do that it had to undertake a diagnostic exercise to find out the extent of the implementation problems. Once diagnosed it then had to commence the task of recovery and rebuilding in a context where the future of both the insulation program and Green Loans scheme was highly uncertain. Program staff meetings were called to discuss the nature of the problem but, as one participant observed, at the first meeting there were 40 people and 40 different views of the problem. Most had been engrossed in what they were doing, working ridiculous hours, and did not comprehend the dimensions of the problem.

Gradually a common diagnosis emerged. In the case of HIP, record-keeping was a problem, staff did not understand the industry, there were no barriers to entry for amateur providers, and no checks on safety. The priority was to get the administrative systems in order, recover the integrity of the data, and work on getting the records into shape. Above all, the new team had to work *with* people to develop their shared ownership of the solution. The situation in Green Loans was similar. With these implementation deficits there was no silver bullet that could fix either program in one go.

However, by July 2010 anecdotal evidence, staff survey results and a consultant report findings were suggesting some improvement in morale and confidence. The survey showed that the assessments by energy efficiency staff were around the same level as the former DCC staff, but many felt the confidence and commitment of the latter had declined. Was this a sign of improvement? Was it indicative of a glass half full or half empty?

After the recent experiences, as a policy player the DCCEE experienced a significant drop in political clout within the Canberra pecking order. It was no longer “hot”, and no longer a tool of Prime Ministerial ambition (indeed, quite the reverse).

DCCEE was by now asking what its role should be – had it hit a brick wall or a “fork in the road”? The optimists in the department, led by Parkinson, conducted a series of public presentations. They were agenda-repairing and preparing the policy ground for a subsequent

bout of climate change brokering, even though they did not know when that might kick off. Parkinson gave various speeches about the need to reduce greenhouse gases and the role of a carbon price in doing so. He attempted to put a “best face” on the past few years pointing out aspects of progress and improvement; while at the same time challenging various stakeholder groups (business, finance, academics, economists) to rekindle the enthusiasm and drive for reform. These were hortatory addresses to carefully selected constituencies. He argued that the Carbon Pollution Reduction Scheme work was not all in vain and that the results of Copenhagen while disappointing were not all bad (pointing to six tangible outcomes from the Copenhagen Accord).² He described these speeches as “public issue management”. They were also coping strategies.

Adrift at sea, at the mercy of the gales

Pessimists in the department were less sanguine. Some argued that valuable time was wasted because of the political situation. One senior executive commented: “We had the rug pulled out from under us. We look and feel a bit bereft. People are wondering where they are going to go. It is really hard to see how we are going to get through... People around town expect us to be dead.” Another added that the topic of climate change was not “not yet a mature policy area” and that everything constantly appeared up for grabs in the minds of the political class. The department had found no institutionalised process of organising the issue that the political process would or could agree on. DCCEE tended to work in short intensive bursts to achieve quick wins when the problems were more long-term and needing sustained efforts. As a result, many in the department felt they were “adrift at sea, without an even keel and at the mercy of the gales that come along”.

Finally, the immediate challenges for the amalgamated department were to prosecute the policy agenda and remain relevant as a policy department. It had to reconsider its policy arsenal and consider alternatives in a highly politicised world (renewable energy and energy efficiency, other non-price mitigation, adaptation). It had to realistically manage expectations around the next tranche of international negotiations. It had to get on top of the implementation problems it inherited in the last few months of the Rudd government.

In late June 2010 Kevin Rudd was replaced as Prime Minister by Julia Gillard who immediately committed her government to “doing something” on climate change, without indicating what that “something” would be. During the August election campaign she called for a people’s convention of 150 experts to discuss climate change and bring forth recommendations. Later still, re-elected and heading up a minority government supported by Greens and Independents, she abandoned that idea and instead established a multi-party parliamentary committee to consider how to introduce a carbon price. For DCCEE it was “game on” yet again.

Martin Parkinson described his baptism of fire as a secretary as a sobering experience. He called it a “learning journey”. But what lessons stand out from his initial years as DCC(E) Secretary? What can we learn in terms of institution-building and leadership? What lessons

² These were – the agreement to limit global temperature increases to just 2 degrees Celsius; developing and developed countries agreed to work under a common framework (yet to be finalised); an agreed framework to monitor implementation in the future; developed countries would continue to provide finance to assist carbon reduction in the developing world; the announcement of a technology mechanism to drive innovation and diffusion; and the agreement to establish a mechanism for the reduction of emissions from deforestation and forest degradation.

can be learnt for the institutional management of machinery of government changes, and for the creation of new departments almost from scratch? And what lessons for public service management of high-stakes, high-risk, issue attention policies in highly uncertain political cycles?