Transforming an agency in crisis:
driving change at the Immigration Department (C)

From "good to great": deepening reform but renewed crisis

The Minister for Immigration and Citizenship in the new Labor government elected in November 2007 was Senator Chris Evans, who came with strong reservations about the department for which he now held responsibility. He had not been a shadow minister in the portfolio. Most of his information about the post-Palmer/Comrie transformation processes in DIAC under the leadership of Andrew Metcalfe had come from the media and other public sources. He wanted an independent assessment, and commissioned former private and public sector chief executive Elizabeth Proust to conduct an evaluation of the reforms. With an impeccable reputation and a no-nonsense attitude, Proust had earlier conducted a review for Evans into his personal powers as Immigration Minister, and enjoyed the Minister's trust.

Proust's November 2008 report endorsed the work initiated by the change management task force and its various successor bodies. Walking through all of the Palmer and Comrie recommendations, it delivered a positive score card. It concluded that stakeholder communications with and confidence in the department had much improved. It reported that the department was moving up in staff survey scores in 2007 and 2008 in all but one (leadership) of its key benchmark areas. It observed that implementation of the inquiry recommendations was well-progressed, though it noted that it was too early to pass a verdict on *Systems for People*. Proust recommended that "senior management maintain a very close watch on whether [it] will deliver all that was originally planned" and "remains within its funding envelope."[1] On the centrepiece cultural change front, Proust's assessment was also

[1] Proust report, p 10

guarded, noting that

> "[t]here has not been a great deal of time to spend on issues such as the type of culture DIAC wishes to create. A number of cultures are evident: there is a desire to build a high-performing culture but this is at odds with the risk-averse, mistake-avoidance culture. There is also the desire to build a client focused organisation but heavy reliance on processes, institutions and procedures, together with some aspects of the legislative framework, interferes with this."

The Proust report worked well for Metcalfe and the DIAC senior leadership team. It reassured the Minister, it made it clear that the organisation had moved well beyond a state of crisis, and yet it highlighted that much work needed still to be done to put the department's performance and reputation on a truly firm footing.

By early 2009, DIAC's leaders were beginning to talk about launching a second wave of transformation. Planned during the middle part of the year and announced in October, the chief aim of the new change was to arrive at a more effective and efficient combination of three core activity streams whose components had hitherto been scattered across the organisation:

- policy and program management;
- client services (externally focused);
- business services (internally focused).

This would bring the department to the forefront of modern client services and corporate services practices. As one senior executive observed,

> "The department had not really thought of itself as a huge service delivery agency, where there is a strategic need for client service excellence, program integrity, efficiency, and decision accuracy and consistency. You had policy people running both policy and service delivery. As a result for a long time the senior executive simply didn't know what they didn't know [about cutting-edge service delivery practices].We were not meeting performance standards and yet we were looking at growing resource constraints. We were really running the risk of going backwards in terms of our client outcomes and financial viability… After Palmer and Comrie, the department took its eyes a bit off areas other than irregular maritime arrivals, detention and compliance and the like. We now have to make sure that this does not happen again."

One innovation aimed at creating a better whole-of-DIAC coordination of service delivery was the creation of a group of SES-level Global Managers. Mainly located in state offices, they were made responsible for the management, delivery and integrity of specific products or services (onshore and offshore) of the department. The Global Manager model attempted to break the silo-driven pattern of direction and accountability that had dominated the department's implementation and delivery activities. In the classic tradition of matrix management, the Global Managers were not given their own empires to run, but rather the power to convene, to meddle, to connect, and to drive a systemic perspective. Their mere existence symbolised that the senior executive continued looking for ways to change the mindset of an organisation that had relied so strongly and for so long upon functional and geographic decentralisation of authority.

However, just as the department set about moving from "good to great", a new storm was appearing on the horizon. Quite literally: the problem was boats – lots of them. As *Exhibit 1*

demonstrates, in 2009 the number of Irregular Maritime Arrivals rose sharply and in 2010 was reaching the full heights of the 2001 crisis which had precipitated the Howard government's "Pacific solution" and various other measures that the Rudd Labor government had been keen to reverse. It did not help that in April 2009 one boat full of asylum seekers exploded just as it was being intercepted and boarded by Australian Navy personnel. Five people died in the incident and dozens sustained burns.

Though the fallout from that incident was limited, it drew public attention back to the sheer desperation that was driving many refugees to Australian shores. As the boats kept coming, Labor was now beginning to feel the heat of the moral panic that IMA spikes quickly generate among the Australian commentariat and in the party-political debate. The exchanges very quickly became robust, and proceeded along predictable lines. The Liberal-National opposition claimed the spike was due to Labor's reversal of the Howard-era deterrence stance shortly after it took office, in early 2008. It alleged that softening the policy had sent a virtual invitation to refugees and people smugglers to again treat Australia as their destination of choice. Immigration minister Chris Evans strenuously denied any such linkage. He attributed the rise to the recent escalation of violent conflicts in Sri Lanka and Afghanistan, where the new arrivals overwhelmingly originated.

As the boats kept coming, the issue would not go away. Questions emerged about Australia's detention capacity being overstretched in coping with the arrivals. The federal opposition and some media commentators also criticised the government's alleged inability to work effectively with its regional partners – first and foremost Indonesia – to stem the flow. It became increasingly clear that some sort of re-run of the 1999-2001 period of peak pressure was on the cards: an operational crisis for an over-stretched border control and immigration detention system, and a political crisis for a besieged government looking for a way out.

Things came to a head in October 2009 when the Australian patrol vessel *Oceanic Viking* picked up 78 asylum-seekers and sought to return them to an Australian-funded detention centre in Indonesia. The asylum-seekers refused to leave the ship because they had not been taken to Australia. A painful four-week stand-off ensued, which strained Australia's always delicate relations with the Indonesian government. The Prime Minister took personal control of the incident. He asserted that these asylum-seekers were Indonesia's problem, a stance that disregarded the fact that they were on an Australian vessel which had picked them up near Australian waters. The media reported that the stand-off was resolved only after a deal was brokered where the asylum-seekers were given assurance of speedy processing and relocation in exchange for disembarkation. At the same time, word got out that Rudd had personally intervened with the Indonesian government to stop another vessel carrying more than 250 Sri Lankans about to set sail for Australia. These people too were refusing to leave their boat, and initially threatened to blow it up when officials attempted to board. Their self-appointed leader, a man named Alex who had lived in Canada, proved an eloquent spokesperson who managed to humanise his group's plight. The Australian public was also fed images of ten-year old Brindha, pleading tearfully that she and her fellow asylum-seekers be given a home, anywhere.

The two incidents were a public relations disaster for the government. Some media even called it "Rudd's *Tampa*," referring to the name of the boat involved in the notorious "children overboard" incident that had created so much controversy around the 2001

elections.[2] Many observers concluded that the government was buckling under the pressure and that the Evans-led, conviction-driven Labor policy on asylum seekers and immigration detention was being overtaken by poll-driven Prime-Ministerial improvisation.

During early 2010 the number of boats continued to grow unabated and the detention facilities kept filling up around the Australian mainland and on Christmas Island. So did the number of people securing admission by "jumping the queue," as under the prevailing policy virtually all of the new arrivals were granted refugee status and accordingly received Australian residency. Elections were approaching fast and the government was copping it in the press on the issue. In late April 2010, Minister Evans announced that the government was temporarily stopping the processing of asylum claims from Sri Lankans and Afghans. Evans defended the decision by referring to an alleged easing of the risk of political persecution of minorities in both countries. The situation would be monitored closely, and reviews of the decision were to be conducted in three months (for Sri Lanka) and six months (for Afghanistan). The decision was meant to signal to people-smugglers that Australia was toughening up, and that negative decisions on asylum applications were now much more likely. Opposition spokespersons and many commentators alleged it had no discernible effect on the number of boats reaching Australian shores. However, without doubt, pressure on the detention system was increased. New people continued to arrive but virtually no one was leaving the facilities following a decision about their status.

Following the August 2010 election the now minority Labor government led by Prime Minister Julia Gillard had few short-term options. It was scrambling to find detention capacity. It explored the possibilities for partnership with neighbouring countries in developing a new, regional asylum-seeker and refugee management framework. This included a new detention facility to be based in East Timor to process asylum claims. Critics on both the left and the right depicted it as an attempt to return to the Pacific Solution in all but in name. As well, the bar to getting a visa was now much higher. After the suspensions on the processing of Sri Lankans and Afghans were lifted, the rejection rate on their requests went up sharply from around 10 percent to more than 50 percent.

Meanwhile, DIAC's resources were getting severely strained. Detention personnel were starting to really feel the pressure (as revealed by an internal audit of program integrity and DIAC values initiated by the department's executive and conducted by ANU academic Sue Tongue). Inevitably, tempers were flaring up among detainees, along with increased incidence of self-harm. In September, one detainee who had heard that his claim was refused and that he would be removed the next day committed suicide at Villawood detention centre. In protest a group of Villawood detainees occupied the roof of one of the buildings. Though the episode was short-lived, mental health experts were warning that ballooning detainee numbers combined with frustration at failed refugee applications were a volatile mix.[3] Further protest actions and suicides followed in the latter months of 2010.

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[2] This revolved around public allegations by Howard government ministers in the lead-up to the October 2001 federal election, later found to be false, that a number of sea-borne asylum-seekers, whose boat was being intercepted by the Australian Navy, had thrown children overboard in a presumed ploy to secure rescue and passage to Australia. See further David Marr and Marian Wilkinson, *Dark Victory*, Sydney: Allen and Unwin 2004 and Patrick Weller, *Don't Tell the Prime Minister*, Sydney: UNSW Press 2002.

[3] This was borne out by a second suicide in mid-November, again at Villawood and also followed by detainee protest actions.

Despite these troubling challenges in the detention and compliance area, the many positive outcomes of Andrew Metcalfe's years of effort in reforming the Immigration Department met with public recognition. In September, Metcalfe was named the Federal Government Leader of the Year by the Institute of Chartered Accountants. He received a trophy from the Governor-General and a $40,000 grant for investment in his own leadership development. It was a recognition for five tough years of unrelenting exemplary reform leadership that few in Canberra would want to deny the affable yet determined Secretary. As one of his erstwhile change management taskforce members phrased it:

> "Andrew Metcalfe put a human face on the department and built rapport with intermediaries. The perception in 2005 was 'if they treat Australian citizens like *that*, what are they doing to non-citizens?' There were simply too many instances of poor behaviour floating around. Andrew Metcalfe can now say 'you're not going to find poor administration any longer, so if you don't like what DIAC is doing you have to argue about the underlying policy'."

Metcalfe took pride in how far the department had come since he took over in the dark days of mid-2005. But he was also concerned about the current pressures on the immigration detention system becoming overwhelming. In 2005, the Palmer inquiry had observed that "the huge increase in the number of illegal immigrants in recent years has placed much pressure on DIMIA, such that many arrangements and procedures have had to be implemented on the run. There has been little time for reflection and review."[4] Palmer obviously saw this as a root cause of the inability to detect the growing vulnerabilities associated with the department's processes, procedures and culture that eventually produced the Rau and Alvarez fiascos. That was then. But would the house that Meltcalfe (re)built be strong enough to prevent history repeating itself?

In her 2008 report Elizabeth Proust had made a poignant observation:

> "People externally commented that if they had a problem, especially an urgent problem, they would contact the Secretary and be confident that he would solve it… While external people are reassured that they have a ready point of escalation, it does make for a risk averse organisation, knowing that the Secretary will be turned to if all else fails. Such an approach was necessary in the months after Palmer and Comrie when there was little trust in the whole organisation. It is now time to review delegations, formal and informal, which will send a positive message of trust in people in more junior positions."[5]

In late 2010, these remarks had undiminished relevance, particularly in a time of the growing operational crisis around boat arrivals, when centralisation of decision making was a natural reflex for bureaucratic organisations.

Asked about the extent to which values inside the organisation had really changed in the wake of Palmer, one senior executive said, "hmm, interesting question", adding that "the underlying culture is still affiliation-based and there are still many people who don't understand what a performance culture looks like. This department loves a crisis, and performs well in response to it. In fact, we are already withstanding the current spike in boat arrivals much better than we ever did prior to Palmer. But a high-performance organisation manages to avoid crises in the first place," pointing out the need for political commitment to

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[4] Palmer, 2005, p163
[5] Proust, 2008 p33

a much more proactive, systematic and realistic regional engagement to get at the front end of the people-smuggling problem. Another commented:

> "After Palmer we got serious about stakeholder *engagement* which involved genuine two-way traffic with them, but more recently we are gravitating back towards a stakeholder *management*, which is really about keeping the wolves at bay."

And so, Metcalfe was facing a key challenge for the future: could he in due course leave DIAC with confidence that the department would not regress to some of its old ways?

Exhibit 1

Unauthorised boat arrivals ("irregular maritime arrivals") in Australia since 1976 by calendar year

Year	Number of Boats	Number of people
1976		111
1977		868
1978		746
1979		304
1980		0
1981		30
1982–88		0
1989	1	26
1990	2	198
1991	6	214
1992	6	216
1993	3	81
1994	18	953
1995	7	237
1996	19	660
1997	11	339
1998	17	200
1999	86	3721
2000	51	2939
2001	43	5516
2002	1	1
2003	1	53
2004	1	15
2005	4	11
2006	6	60
2007	5	148
2008	7	161
2009	61	2849
2010	134	6879

Source: http://www.aph.gov.au/library/pubs/bn/sp/boatarrivals.htm#_Toc233686291
Updated 11 February 2011.

Note: Figures since 2009 include crew numbers and may also include persons known to have died at sea.

As at 21 March 2011 DIAC reports 12 boat arrivals with 764 people.

Exhibit 2:
The Post-Palmer Reform Process (Part 2)

2007
December
Labor government installed; Chris Evans becomes Minister for Immigration and Citizenship.

2008

January
Boston Consulting Group finds major problems with *Systems for People*, leading to a major restructure in March 2008.

August
Third post-Palmer staff survey registers significant improvement in staff performance and attitudes from 2005.

November
Elizabeth Proust publishes evaluation of the post-Palmer reforms. The report is generally positive but still finds areas requiring improvement and continued vigilance.

2009

July
Metcalfe reappointed as Secretary of the department.

October
Announcement of a five-year transformation program, focusing on client services and business process innovation.
Oceanic Viking incident.

2010

Feb-March
Increasing media reporting and political contestation about steep rises in number of illegal maritime arrivals

April
Temporary suspension of claims processing of Afghani and SriLankan asylum seekers

July
Border protection is one of the key battlegrounds in the federal election campaign

August
Elections produce hung parliament.

September
In the new Labor minority government Chris Bowen replaces Evans as Minister for Immigration and Citizenship

Metcalfe named Federal Government Leader of the Year by Institute of Chartered Accountants.
Suicide and protest actions at Villawood detention centre.

October-November
Government expands detention capacity; community protests when site announcements are made.
Prime minister lobbies neighbouring countries for "regional approach" to people smuggling and refugee processing; continues talks with East Timor about siting of detention and processing centre.
Another round of detainee protest actions at Villawood detention centre.