

10

Sir Frederick Wheeler: Public Servant

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On 16 July 1975, Sir Frederick Wheeler, secretary to the Treasury, was summoned before the bar of the Senate to be questioned about the Loans Affair. Asked to state his name and occupation, he replied: 'Frederick Henry Wheeler, public servant.' Four years later he attended the magistrate's court in Queanbeyan to give evidence in a private prosecution brought against four former ministers of the Whitlam Government. Asked to state his name and occupation, he replied: 'Frederick Wheeler. Superannuated public servant.' On both occasions Wheeler was not merely identifying himself, he was asserting his identity. His career, his perspective, everything about him, spelt 'public servant'.

Frederick Henry Wheeler was born on 9 January 1914 and attended Scotch College, Melbourne. Cyrus Lenox Hewitt was a junior boy at the same school; in time they were to become, in the words of Patricia Hewitt, 'the best of enemies'.¹ After taking a Bachelor of Commerce degree, part-time at the University of Melbourne, Wheeler worked for 10 years at the State Savings Bank of Victoria (1929–39) before joining the Treasury as a research officer. He was promoted to assistant secretary in 1946 and to first assistant secretary in 1949. Wheeler was a member of the Australian delegation to the Bretton Woods Monetary Conference, attended several conferences of British Commonwealth finance ministers between 1944 and 1951, and played a key role in preparing the Labor Government's banking legislation and its White Paper on *Full Employment in Australia*. As Fin Crisp has pointed out, he had 'a very special place in Chifley's confidence'.² Wheeler expected, and was expected, to succeed Norman Watt as Treasury secretary in 1951 but the Menzies Government preferred Roland Wilson for the post. Wheeler subsequently left the public service to become treasurer of the International Labour Organization (ILO) in Geneva. Returning to Canberra he was, in succession, chairman of the Public Service Board (1960–71) and secretary to the Treasury (1971–79). Appointed OBE in 1952 and CBE in

¹ Patricia Hewitt, personal communication through Philip Wheeler, 1 September 2007.

² L.F. Crisp, *Ben Chifley: A Biography* (Croydon: Longmans, 1961), 258.

1962, knighted in 1967 and appointed AC in the year of his retirement, Wheeler was suitably rewarded as befitted a leading and respected member of the mandarinatate.

When Wheeler first went to Canberra he was one of the 30 or more young officers who formed the 'kindergarten' of the 'official family' in the 1940s. Many of them held economics degrees and were committed Keynesians whose task was to help shape wartime and post-war Australia.³ Employed or advising in various official bodies, they socialised as well as worked together and established personal relationships that proved important in promoting and protecting their careers in the public service. Among them, and among those above them, Wheeler acquired a reputation as a principled yet shrewd operator, endowed with a powerful mind and an acute sense of what was possible, ever-ready to defend Treasury's territory but always measured in approach and well prepared in detail.

Wheeler exhibited many of these characteristics when he became involved in preparing the White Paper on Full Employment. The paper was intended to be a bold statement of the Labor Government's commitment to full employment in the post-war world, accompanied by a detailed account of how this objective would be achieved. H.C. 'Nugget' Coombs, the director-general of the Department of Post-War Reconstruction, was its principal promoter.⁴ Copies of an amended draft reached the Treasury in February 1945 and, believing the paper to be 'of the greatest importance' to the department, Wheeler wanted 'the greatest possible amount of work' to be done on it immediately. He feared that the Treasury's maturing role in providing economic advice to the government would be diminished, and he harnessed the Financial and Economic Committee, where he was assistant secretary, along with sympathetic outsiders, to resist interlopers. During the following month he also queried or successfully removed some of the paper's 'bold futurism', its 'cure-all' mentality and the 'unnecessary provocation' of its language. Wheeler won agreement not to publish the proposed appendix of statistics on the grounds it would mean nothing to the majority and would be misused by a minority. Above all, perhaps, he focused attention on the more limited exercise of outlining general government policy and dealing with the practical problems of a transition to peacetime. He could claim that the next draft was a 'very great improvement' and met 'a large number of Treasury objections', but continued to argue against premature publication and to apply a critical and pragmatic approach to policies he thought would arouse opposition in the community. Significantly, while the 'kindergarten' concentrated on

3 N. Brown, *Richard Downing: Economics, Advocacy and Social Reform in Australia* (Carlton South: Melbourne University Press, 2001), ch. 3.

4 S. Cornish, *Full Employment in Australia: The Genesis of a White Paper*, Research Paper in Economic History, No. 1 (Canberra: Department of Economic History, ANU, 1971), 1ff.

what government might do, he called for more emphasis on private rather than public investment because the Australian economy was still based on private enterprise. Overall, as Coombs recognised, 'Wheeler's contribution was especially important' in ensuring that the published version was a compromise expressing what could be supported by consensus and avoiding issues which would cause controversy.⁵

It is unclear whether or how far Wheeler's closeness to Chifley explains Menzies' preference for Wilson as secretary to the Treasury. The certainty is that Wheeler almost immediately began looking for alternative employment. He briefly considered private enterprise, but told his parents he did not want 'to break entirely with Governmental work and the sort of people you find in that field'. At the ILO, when approached by the Vickers Company, Wheeler said he was 'not interested in anything which was wholly or primarily based on lobbying and general contact'. Although he regarded 'the Geneva venture' as 'a great success', he was determined it would be 'an interlude and not a permanency'. He did not want to become an expatriate. At the same time he had a good idea of his own strengths: an ability 'to make good use of staff for substantive work in association with a lot of negotiating and committee work'. His reputation, he thought, 'is not based on any great ability to impress in general, but on steady work in a substantial field which brought a wide range of associations in its train without my seeking them out'. Wheeler liked the excitement and importance of what he called 'negotiating and representational work', though both had to be undertaken on 'a firm base of substantive work and responsibility'. Without spelling it out, his understanding of his own abilities pointed to a senior position in public service.⁶

Wheeler's friends and former colleagues in Canberra – they included Sir William Dunk, the chairman of the Public Service Board (PSB), Sir John Crawford, secretary of the Department of Trade, and John Bunting, the recently appointed secretary of the Prime Minister's Department – wanted to reclaim the man they felt had been wrongly turned away. Frederick Wheeler was, after all, one of them. Dunk approached Wheeler as early as 1957 to ask if he would consider succeeding him at the PSB, while Crawford wanted Wheeler to become chairman of the Tariff Board. Despite receiving offers from industry, Wheeler could tell Dunk he preferred 'to remain a civil servant'.⁷ He would be pleased to accept either the PSB or the Tariff Board.

5 For Wheeler's many interventions and comments, see esp. National Archives of Australia (NAA) A571, 1945/574, Part 1, and A981, 1945/638. See also, H.C. Coombs, *Trial Balance: Issues of My Working Life* (South Melbourne: Sun Books, 1981), 52.

6 For the above paragraph, see Wheeler's private correspondence in Wheeler Papers, National Library of Australia (NLA) MS 8096/2/3.

7 Wheeler to Dunk, 20 December 1957, Wheeler Papers, NLA MS 8096/2/3.



Frederick Wheeler, 1959

Source: State Library of Victoria, H38849/4871

Dunk proceeded to work on Prime Minister Menzies. He described Wheeler as 'one of the bright boys' picked out by Stuart McFarlane (secretary to the Treasury, 1938–48), and 'no-one in my very extensive experience of war administration came through with the sureness and ability of this young man'. Six years at the ILO 'does not usually provide a good atmosphere for development', and the organisation may have left a mark on him, but 'it has not destroyed his perception, his penetration or his keenness'. Crawford and Dunk both thought he was 'still first class material'.⁸ They continued to work hard on his behalf, seemingly untroubled by what Henry Bland, the secretary for Labour and National Service since 1952, who had his own claims for the post, saw as 'the hanky-panky that is going on about F.W.'.⁹ According to Dunk, Wheeler passed the test of 'acceptability' because his 'very sound reputation, while he was in the Public Service, is built around the personal attributes of a keen intelligence, reliability, following government policy, co-operation with his associates, and a natural as well as proven integrity'. Bland was not 'acceptable' because he had a reputation for being 'something of an intriguer'; he had a 'quick intellect' but was 'slick' and talked too much. His only lead over Wheeler was his current knowledge of the public service.¹⁰ Dunk advised Menzies to tell his Cabinet colleagues that a panel had produced three names – Wheeler, Bland and Keith Grainger (one of the two other serving commissioners on the Board) – and gave Menzies career notes on each so fashioned that Wheeler looked the obvious, indeed the only, choice.¹¹ In the event, Menzies and John McEwen, the Trade minister and Country Party leader, carried the day in Cabinet over three very senior ministers who had their reservations.

Frederick Wheeler's subsequent career in the public service followed two paths: the one, creative; the other, defensive. It is tempting to relate the one to his time at the Public Service Board and the other to his years at the Treasury. It is also tempting to equate the creative years to the period when Menzies, Holt and McEwen held prime ministerial office and to associate the defensive period with the Gorton, McMahan, Whitlam and Fraser years. There were, however, too many instances of overlap to adopt such hard-and-fast distinctions. It remains, however, that he did have two quite different experiences.

Wheeler began work as chairman of the Public Service Board on the morning of 2 January 1961. Although the board had seemingly wide powers and responsibilities – the supervision of personnel administration, the determination of pay and of conditions of employment, and the pursuit of

8 Dunk to Prime Minister, February 1959, Wheeler Papers, NLA MS 8096/2/3, 4.

9 George Sutcliffe (a Board commissioner) to Chairman, PSB, 21 August 1959, Wheeler Papers, NLA MS 8096/2/3.

10 Dunk to Prime Minister, 31 August 1959, Wheeler Papers, NLA MS 8096/2/3.

11 *Ibid.*, 10 September 1959.

economy and efficiency – it was a free agent only in the case of the first.¹² The board's jurisdiction was to an extent circumscribed by statute and convention. In practice, it relied heavily on conciliation and persuasion, especially in its dealings with the permanent heads who were responsible for the management of their departments. The board also had to bend to the government's will over pay and conditions of employment, take account of the Determinations of the Public Service Arbitrator and of the Awards handed down by the Conciliation and Arbitration Court (or Commission as it became in 1956), and deal with a myriad of staff associations.

Whereas Dunk had settled for expedient compromises, Wheeler approached his inheritance 'attached to first principles'.¹³ He was about to enter the most constructive period of his life for which he was prepared to put in the long hours and to pursue every detail, while bringing with him the necessary administrative and 'political' skills and the staying power to win through.

Napoleon Bonaparte would have approved of Frederick Wheeler. He was a lucky general. His creative period began with two strokes of good fortune, and he exploited both to the full. First, in 1960 the Menzies Government amended the *Public Service Act* to implement those parts of the Report of the Committee of Inquiry into Public Service Recruitment (the Boyer Report) that the government and the PSB could accept. Two changes were critical: henceforth, the Leaving Certificate or its equivalent was required for entry into the third division, and modern selection techniques replaced the exclusive reliance on examination marks. In November 1961, Wheeler's board introduced the Commonwealth Selection Test constructed by the Australian Council for Educational Research. This test measured abilities appropriate to routine clerical duties and to higher-level positions in the public service. All applicants within the prescribed age limit were required to take it, and offers of employment were made on an order of merit determined by the results achieved.

Wheeler believed the new system would improve the quality of recruits who would now be better placed according to their abilities. It would also enhance the principle of open competition and ensure greater accuracy and consistency in setting minimum standards. Thereafter, Wheeler and his fellow commissioners regularly provided commentary and statistics to bear out claims that the selection tests, being constantly updated and revised, were proving to be what the board's 1966–67 Annual Report called 'a satisfactory instrument'. But Wheeler remained circumspect. He was well aware that the success of the tests could not be established until the chosen ones had reached the middle and

12 G.E. Caiden, *Career Service: An Introduction to the History of Personnel Administration in Commonwealth Public Service of Australia 1901–1961* (Carlton, VIC: Melbourne University Press, 1965), 433.

13 S. Encel, *Equality and Authority: A Study of Class, Status and Power in Australia* (Melbourne: F.W. Cheshire, 1970), 271.

senior levels of the public service. In the meantime, however, Wheeler could go armed into an increasingly competitive market to attract a decent share of the post-war baby boom, provided he could also match some of the salaries and promotion opportunities of private enterprise.

In June 1961, in what became Wheeler's second piece of good fortune, the Commonwealth Conciliation and Arbitration Commission (CCAC) handed down its long-awaited decision on the Engineers' classification structures of the public service.

The public service at the time consisted of a highly varied and technically complex workforce, but its pay and classification structures were rightly described as 'monolithic'.¹⁴ The cumulative effect of policy decisions, industrial pressures and arbitral decisions meant that the remuneration of all staff moved more or less in lock step. There was little scope for adjustment of particular occupations based on rates of pay in comparable outside labour markets. In addition, the many salary classification levels within occupational groups – 14 for the engineers – were complicated by overlapping and extended pay ranges. Relatively lowly paid classifications were included in the second division management group while others, which should have been, were not. The excessive layering and fine distinctions in classification may have increased the need for promotion but promotions did not necessarily mean significant pay increases. Wheeler, therefore, inherited a pay-fixing system that was rigid and a classification structure that hampered efficiency. He also faced the problems of recruitment and retention, particularly in the specialist occupations where the private sector was offering better opportunities and remuneration.¹⁵

The decision in the Engineers' case became the circuit breaker. The CCAC raised the annual salary range for a recruitment-grade engineer and replaced the table of uniform incremental steps with one varying from £140 to £180pa.¹⁶ Its stated assumption was that the engineers constituted 'a special case'. Wheeler's strategy in response was twofold: the board would use the 'special case' argument to oppose an automatic flow-on of the engineers' pay increases to other occupational categories; and it would compress and simplify the salary classifications in the second and third divisions. Ever the careful planner, Wheeler held a series of meetings with the interested parties in the CPS to find out what they were thinking and, in part, to implicate them in moves the PSB might later make. His memos to the prime minister during the following year record his successful attempts to reclassify and reduce salary grades, to ensure the doubters among the permanent heads 'were not hostile', and to stand

14 I am grateful to Paddy Gourley for his assistance in preparing the following paragraphs.

15 For a typical statement of the problem, see *Thirty-Seventh Report of the Public Service Board, 1959–60*, 16.

16 For Wheeler's reaction and the immediate aftermath of the Engineers' Determination, see Wheeler Papers, NLA MS 8096/4/3.

firm against staff association demands for automatic adjustments. Wheeler had the perfect riposte for staff association objections: the board had 'no option' but to follow the commission's line 'to reject any notion of automatic or semi-automatic lateral flow-on'. The commission's 'status and authority' meant that its 'clear policy guidance' should be followed unless there were compelling reasons not to do so. Besides, Wheeler's political instincts told him that 'broad community considerations' militated against a sudden and substantial increase in public service salaries. Patient negotiations and 'sniffing the air' would carry the day. Following the CCAC's second Determination in the Engineers' case of June 1962, Wheeler could tell Menzies that the permanent heads regarded the reclassifications already undertaken as 'a genuine improvement', while some union representatives privately agreed even though they publicly attacked the board for attempting to defeat 'salary justice'.

The CCAC's decisions had important unintended consequences. The board ensured that a number of occupational groups, especially the engineers, became more professionalised through introduction of precise and externally certified educational prerequisites provided by the universities. The Commonwealth, as a result, became an exemplar for the rest of the community in graduate recruitment and became more competitive in the market place. The PSB itself became what Wheeler liked to call 'a primary wage fixing authority'. It now made decisions without direction from the government and, on occasions, caused the government some discomfort in doing so. Furthermore, Wheeler utilised the board's enhanced role as a primary wage-fixing authority, and other unrelated mechanisms, to advance his own power and influence within the public service, extending his reach into the more distant areas of Commonwealth employment where the board had no legal standing.

Throughout his career as a public servant, Sir Frederick Wheeler espoused a number of clear and generally consistent views about the role of public servants, especially of those in the first and second divisions. Definitions used in the *Public Service Act* were invoked to support his central assumptions. For example, officers in the second division 'are required to exercise *executive or professional* functions in the more important offices of the Service'. He noted how this definition adopted the 'modern view' where 'top management and policy formation is a distinctive and integrated function and ... even where a top management job does have technical content the choice of appointees should primarily be on the basis of managerial and administrative abilities'. Wheeler was not interested in specialists becoming permanent heads unless they had proven experience. Youthful appointments (that is, men below the age of 45) should be made only where they were clearly outstanding and a more mature alternative was lacking. Five requirements for appointment had to be met – integrity, judgment, maturity, leadership and experience – of which the

first four came within the meaning of ‘men of affairs’.¹⁷ With these principles in mind, he was often direct in his confidential minutes to the prime minister and ministers. One minister’s nomination to head his department (he was aged 42) ‘was not yet ready’ and ‘would be badly received, both in the Service and in relevant circles in the community’.¹⁸ Wheeler kept his best, however, for another contender: ‘Able and ambitious but inflexible in approach; penetrating and hardworking but aggressively self-assertive and personal relations very abrasive over a wide field; has not shown up well as a leader or developer of his team; not suitable for [Secretary of Defence] position’.¹⁹ Wheeler’s view prevailed in both the above cases.

One of his working rules was that ‘the maintenance of the tradition of loyalty to the Government of the day is vital’. Accordingly, he secured the demotion of the director of the Commonwealth Serum Laboratories (CSL), a popular hero for his work on the Salk anti-polio vaccine. Dr Bazeley had campaigned publicly against the Commonwealth Government’s decision to hand over the administration of the CSL to a five-member statutory commission.²⁰ As Wheeler explained in a later minute to Harold Holt, the then prime minister, in 1967, ‘senior public servants should maintain a proper reticence in matters of public and political controversy, and ... should not normally take an active part in a matter which is, or could be, one of public and political controversy’.²¹ Wheeler regarded entry into senior management as the equivalent of joining a monastic order, carrying with it a vow of silence. Public servants should be politically neutral and officially anonymous.

Loyalty to a government in public did not preclude giving ‘frank and fearless’ advice in private. Wheeler had few problems in his dealings with prime ministers Menzies, Holt and, briefly, McEwen. But he had a host of difficulties with the maverick John Gorton (1968–71) who had little respect for public service conventions and who could be so unpredictable. The two men clashed repeatedly over issues ranging from handling postal disputes to making appointments. Wheeler was particularly upset when the prime minister sought to remove Bunting as secretary of the Prime Minister’s Department. Gorton believed that Bunting had exposed Harold Holt to political danger and ridicule during the ‘VIP affair’ in 1967.²² Wheeler fought hard for his friend but lost. Worse, Gorton insisted on installing Lenox Hewitt as secretary of the Prime Minister’s Department. The prime minister also overrode Wheeler’s repeated

17 Wheeler to Prime Minister, 4 March 1963, Wheeler Papers, NLA, MS 8096/4/6 (original emphasis).

18 Ibid., 12 December 1966.

19 Ibid., 29 November 1967, 7.

20 Ibid., Wheeler’s participation in this case can be followed in 4/3–4.

21 Ibid., Wheeler to Prime Minister, 15 May 1967, 7 (original emphasis).

22 See I.R. Hancock, ‘The VIP Affair 1966–67: The Causes, Course and Consequences of a Ministerial and Public Service Cover-Up’, *Australian Parliamentary Review*, 18, no. 2 (2004), vi–xiii, 1–106.

advice and appointed A.B. 'Tich' McFarlane, the secretary of Air, who had assisted Gorton over the VIP affair, to a vacant commissionership on the board. Wheeler had earlier dismissed the idea of McFarlane becoming secretary of Defence with the brusque comment: 'Relatively narrow experience; lacks the stature for a position of this type.'²³

Despite some disappointments during his later years at the Board, Wheeler's record placed him next to the outstanding Duncan McLachlan, 'the Father of the Commonwealth Public Service',²⁴ as a reformer. He saw his task as one of preparing the Service to lead the Commonwealth through the final decades of the twentieth century. To this end, he improved the quality of the Service through the active encouragement of graduates, staff development and trainee schemes, he modernised the pay and classification structures, promoted the leadership roles of senior management, eliminated unnecessary regulations, and played a leading role in removing the bar that prevented married women from being appointed or retained as permanent officers.

At the behest of William McMahon, Gorton's successor, Wheeler moved to the Treasury in 1971. Clyde Cameron, the Labor frontbencher and hardened warrior, greeted his appointment with approbation. Cameron imagined the pleasure it would give 'Old Chif', and thought Wheeler would be 'the greatest asset the next (Labor) Government will have'.²⁵ Whitlam and many of his ministers soon demonised the 'greatest asset' as 'obstructionist'. Overshadowed as an economist by John Stone, whose appointment he secured in Treasury as a third deputy secretary, and by others he had appointed and encouraged, Wheeler spent much of his time mentoring the brightest of the incoming generation and defending the department from its critics both in Cabinet and in the public service.

Wheeler had to fight on several fronts in protecting his fiefdom and maintaining the Treasury's role as principal economic adviser to the government. The Whitlam Government brought in all manner of advisers and staffers some of whom saw themselves as Treasury's rivals. More seriously, the Treasury and the big spenders of the Whitlam Government were soon at loggerheads over strategies for dealing with inflation. During the budget discussions of 1973 Wheeler and two other Treasury officials attended a meeting of economic ministers 'to be', in Stone's words, 'dressed down', in part because they kept urging expenditure cuts.²⁶ Wheeler probably tested the credulity and patience of ministers by insisting that Treasury's officials were merely technicians who were asking for the clear and consistent policy direction they were not receiving. The 1974–75 budget discussions were even more fraught because the economic

23 Wheeler to Prime Minister, 29 November 1967, Wheeler Papers, NLA MS 8096/4/6.

24 Caiden, *Career Service*, 15.

25 Cameron to Wheeler, 15 September 1971, Wheeler Papers, NLA MS 8096/5/2.

26 NAA A5931, CL740; Stone to Secretary, 28 April 1975, Wheeler Papers, NLA MS 8096/5/8.

ministers and Caucus, fearing widespread unemployment, rejected the Treasury line of fighting inflation first and cutting government expenditure. After initially supporting Wheeler, Whitlam joined the growing band of 'Treasury bashers' and presided over a nominal increase of 32 per cent in budget outlays (Treasury had recommended a figure of 27 per cent). Wheeler and the Treasury were subsequently, if briefly, consigned to the margins for refusing to provide the advice the government wanted.

At a meeting of the Executive Council on 13–14 December 1974 four ministers – Whitlam, Dr Cairns (deputy prime minister and treasurer), Rex Connor (Minerals and Energy) and Lionel Murphy (Attorney-General) – agreed to borrow US\$4 billion 'for temporary purposes'. The mid-1974 fall-out between the Treasury and the government and continuing suspicions between the two, as well as bureaucratic and personal rivalries (Hewitt was secretary to Connor's department), were important components in the bizarre, secretive excursion into the world of Tirath Khemlani, 'carpet-baggers' and 'funny money'.

Wheeler and the Treasury were deliberately excluded from the loan discussions until shortly before the Executive Council meeting. When apprised of what was in progress, and realising that it was designed to avoid 'due process' – by circumventing the Loan Council and parliament – Wheeler orchestrated a series of moves over an intense few days. He ordered enquiries to be made of the Bank of England and Scotland Yard about Khemlani. John Stone was assigned to raise questions about the wisdom and legality of the whole enterprise.²⁷ But Wheeler could not stop or divert Connor, who had Whitlam's backing if not his full attention – the prime minister had overseas travel plans in mind – while Murphy was probably as much attracted by the unconventional proceedings and Cairns was otherwise preoccupied. Challenged by Wheeler's persistent objections during the drawn-out, intense meetings of 13 December, Connor at one stage declared: 'I am a Minister of the Crown.' To which Wheeler replied: 'Yes, Minister, and I am the Permanent Secretary to the Treasury.' The Treasury secretary also upset the prime minister. Wheeler had observed how the proposed borrowing was far in excess of the remaining statutory authority, which stood at \$610 million. Whitlam accused the secretary of sitting quietly for an hour-and-a-half before revealing this information. An angry prime minister turned on him: 'Fred, you are on the skids.' Wheeler's reply was prescient: 'Prime Minister, I simply wish to inform you of facts your ignorance of which will bring you down.'²⁸

27 A copy of Stone's minute was published in A. Reid, *The Whitlam Venture* (Melbourne: Hill of Content, 1976), 9–11.

28 D. Rose, 'Transcript', *Sankey v Whitlam and others*, January–February 1979, 671.

Although the government would not be restrained, Wheeler did achieve some victories. He 'protected' Cairns by persuading him not to sign the Executive Council minute as treasurer, and campaigned successfully between 14 and 21 December to have Connor's authority rescinded. Two commentators later depicted Wheeler as 'a master of guerrilla warfare' for his marathon telephone efforts on 20 December where, fuelled by drams of whisky and operating inside clouds of cigarette smoke, he proffered 'a remarkable picture of a bureaucratic virtuoso at work'.²⁹ Connor did obtain a second Executive Council minute on 28 January, albeit for just US\$2 billion, so Wheeler, the Treasury and the Reserve Bank had to keep up the pressure to expose the dangers of dealing with Khemlani. They pointed out how the 'funny money' had never materialised and how Connor's activities and the very existence of the Executive Council minute were jeopardising a much-needed American loan and other future borrowings by the treasurer. When the Executive Council finally revoked the minute on 20 May, the secretary thought he had achieved his dual purpose: the restoration of the Treasury as the focal point of overseas borrowing; and elimination of Khemlani and his associated carpetbaggers as intermediaries. He did not know – nor did anyone in the government know – that, once again, Rex Connor did not accept 'No' for an answer.

Even so, Wheeler was about to have an enduring victory. Earlier in 1975, Cairns had secured the approval of the Labor Party Conference to form a separate Department of Economic Planning to advise the government on medium and long-term priorities. Wheeler and the Treasury were profoundly disturbed by the implications. On 31 March the secretary handed Cairns a Treasury memorandum.³⁰ It was a clever document, fulfilling the duty of public servants to implement, or showing how to implement, government or ruling party policy, while making the task of implementation look well nigh impossible and even faintly preposterous. Wheeler's fear was that Treasury might be split and challenged, if not displaced, as the government's source of advice on economic and financial matters. To defeat the scheme, he adopted three strategies. First, he argued that the new 'Department' should be just a 'Unit' or 'Office' separated from Treasury but located within the treasurer's portfolio. This done, a substantial part of Treasury would not be transferred to the new body while the Treasury's traditional short-term planning role would be separated from any pie-in-the-sky long-term projects. Secondly, Wheeler highlighted the practical problems arising from the sheer complexity of the exercise. The Office would have to cover social as well as economic issues, cooperate with many departments, agencies and community groups, and 'would need experts from a

29 B. Toohey and J. Longstreet, *National Times*, 14 November 1982.

30 Wheeler to N. Hyden, 1 April 1975, Wheeler Papers, NLA MS 8096/5/3.

wide range of disciplines'. To achieve cooperative and unified action from such a multitude of egos, organisations and disciplines would require the resurrection of both Solomon and Job.

Thirdly, Wheeler applied his trademark tactic of delay. Just as he had done in 1945, he set about extending the boundaries of consultation, building a respectable and respected opposition, and uncovering further impediments. By early June 1975 he had successfully obfuscated the issue and slowed down the decision-making. When, in that month, the treasurer was dismissed over his separate participation in the Loans Affair, Cairns remained the lone senior advocate of his proposed new department.

Yet as one threat to the Treasury was removed another emerged. Following the double dissolution of May 1974 Whitlam announced the establishment of the Royal Commission on Australian Government Administration (RCAGA) to conduct a wide-ranging examination of Australian government administration. Many Labor ministers and members of Caucus believed that Labor's reform program was being stymied by a public service either unaccustomed to carrying out rapid change or unwilling to do so.

The Treasury submission to the commission of 17 November, which Wheeler signed, sought to establish three central points: the Treasury 'has become the primary economic policy adviser to the Government'; 'all the activities of the Treasury are closely inter-related and inter-woven'; and the Treasury did not exist to make policy but to administer existing policy and to offer advice on possible new policy.³¹ Characteristically, Wheeler adopted a tone of reasonableness during his day-long appearance before the commission and the questioning by its chairman, H.C. 'Nugget' Coombs. He tactfully deflected criticisms of his domain and gently lauded the Treasury's achievements. Wheeler stressed, correctly, how the Treasury maintained a non-hierarchical structure and actively encouraged younger talent. Not surprisingly, he rejected Coombs' proposal of a formally established board, to include heads of statutory bodies and academics, to advise the treasurer. It was necessary in management terms 'to have a focus of authority'; a board would slow everything up and 'not add anything'. Just as Wheeler had expressed doubts about 'bold futurism' in 1945, he questioned the emphasis on long-term objectives when governments had to deal with the 'volatility' of policy on a day-to-day basis. It was the 'worst thing' for officials to advise on macro-economic management 'from an ivory tower divorced from grass roots realities'. Wheeler sensibly sidestepped the issue of advisers. Ministers, he said, should decide what they wanted. He was forthright, however, about claims of a 'Treasury line' on economic theory and

31 NLA MS 8096/5/3; The Treasury, *Submission to the Royal Commission on Australian Government Administration*, November 1974, 8.

principles; the notion was ‘nonsense’. There was a diversity of opinion within the Treasury, and it was made known to treasurers. But there was a doctrine of another kind: ‘all issues should be looked at on the basis of hard work ... really turning propositions over, collecting the relevant data, and testing them rather than merely tossing them about at a high level of generality unalloyed by hard detailed examination.’³² The secretary, as in 1945, probably had Dr Coombs in mind.

The Treasury’s defence of the *status quo* was constantly questioned in the course of the commission’s hearings and, not least, by Lenox Hewitt. Classified now as ‘an enduring problem’, Wheeler’s Treasury looked to be in trouble, most of all for its centralised control mechanisms, which were deemed to hinder efficiency. But the passing of the Whitlam Government meant that most of the commission’s findings and proposals would be left well alone.

Nevertheless, the Fraser Government delivered a sharp blow. On 18 November 1976, the prime minister announced that the Treasury would be divided into two departments.³³ A new Department of Finance would take over the financial management and control activities of the Treasury whose responsibilities were now centred on broad economic policy analysis including taxation matters and on giving advice to the government. Fraser claimed that the objective was to provide for more effective management of the business of government, and to strengthen the government’s decision-making processes. Very few believed his explanation. The prime minister was furious about the Treasury’s delay in providing advice, about the quality of advice received, and about an alleged leak over Fraser’s support for the devaluation of the Australian dollar.

Wheeler was not caught unawares. As early as mid-1973 he had asked for some ‘boy scout’ work to be done after learning of a senior adviser’s interest in a split and, a year later, with the Coombs Commission in mind, he asked for the relevant papers to be retrieved.³⁴ Soon after the dismissal of the Whitlam Government, Wheeler sought evidence from within the Treasury to show how the work was closely interwoven and how it was both necessary and desirable for such work to be interwoven. The secretary wanted to highlight the problems at the ministerial as well as the departmental level should the Treasury be split.³⁵ Wheeler did not know, however, of the prime minister’s specific intentions until Sir Alan Cooley, the chairman of the Public Service Board, contacted him two days prior to Fraser’s announcement.

32 RCAGA, Transcript of Proceedings, 28 November 1974.

33 *Commonwealth Parliamentary Debates*, House of Representatives, 18 November 1976, 2898–99.

34 See NAA A6385/236.

35 Cole to McBurney and others, 3 November 1975, NAA A6385/236.

Cooley was a surprise appointment as Wheeler's successor. He owed his elevation almost entirely to Wheeler's patronage, and Cooley worked hard on his benefactor's behalf. The prime minister had sought the chairman's advice on possible changes and, though directed not to consult Treasury beforehand, he made the Treasury's case for doing little or nothing.³⁶ If the prime minister felt he could not achieve his requirements within the present framework, then 'various steps can be taken to improve matters'. After listing several options, Cooley delivered a clear message: do not divide what is, and should remain, indivisible. At the very least, before making a decision, Fraser should talk to Wheeler.

After Cooley advised Wheeler of his exchanges with the prime minister, the secretary sent Phillip Lynch, the treasurer, four separate minutes on 17 November in a last ditch effort to avert the split.³⁷ Judiciously, he agreed that a split would have advantages as well as disadvantages at both the ministerial and public service levels. Yet, in his 'considered judgement', splitting Treasury 'would produce very substantial confusion and inefficiencies in the period immediately ahead and continuing inefficiencies in the longer term'. Wheeler canvassed every possible objection and looked everywhere for alternatives. He envisaged several problems: two 'sectional advisings' would not constitute 'two "overview" options'; the speed of communication and consultation between the areas would be diminished and 'would increasingly tend to produce "ivory-towerism" in the economic areas and "narrowness of thinking" in the expenditure areas'; any restructuring would disrupt ongoing work and there would be longer-term implications; the 'short and long effects on staff morale would be serious'; and there would be a need for more staff of the kind that is 'very scarce'. Wheeler also invoked, as he often did, broader political considerations: the media might fasten onto the failure to pursue the avowed aim of 'slim government'. To avoid controversy and catastrophe, therefore, the government might agree to the appointment of a fourth deputy secretary in Treasury.

If Fraser even saw these minutes there was no chance of him changing his mind. Wheeler's one victory was the appointment of a favoured Treasury official, Bill Cole, the Australian statistician, to head the new Department of Finance. Yet, typically, in defeat he worked diligently over the following weeks grappling with the technical details involved in formally dividing up the department. Moreover, on 6 December, the day before the split was to come into effect, he wrote the following in a staff notice:

36 A. Cooley to Prime Minister, 12 November 1976, NAA A6385/238, Part 5.

37 Wheeler to Treasurer, 17 November 1975, NAA A6385/238, Part 5.

In the sense in which I have used that expression in the past, the splitting of the Treasury, while certainly meaning a different order of things for the future, is not in my view to be taken as signifying an end of the underlying concept. The two Departments will be working, under a common Minister, the Treasurer, in close collaboration with each other.

The sanguine underpinnings of this note left open at least two possibilities: either the Treasury secretary was deluding himself or, more probably, he was typically making the best of a situation he did not like, while hoping it would not get worse.³⁸

As Wheeler fought to protect Treasury he had, on occasions, to protect himself, particularly during 1975. His own position came under scrutiny after Cairns was dismissed as treasurer. Before that, Whitlam had tried to shift him from the Treasury to the governorship of the Reserve Bank. Determined to remain where he was until reaching retiring age, Wheeler once again relied on holding up the decision-making process while projecting Lenox Hewitt's name to the forefront of any discussions of a successor at Treasury. He soon discovered that Whitlam's desire to remove him was not matched by the will to act. Further, he knew he could rely on fellow mandarins and respected figures outside the public service to say how inappropriate 'King Cyrus' would be as secretary. Peter Karmel, the chairman of the Australian Universities Commission, probably expressed the prevailing view among the well informed in declaring the 'obnoxious' Hewitt would be a disaster in Treasury. 'There must', he said, 'be something wrong with a man who is so universally disliked.'³⁹ It was soon evident to Whitlam that Wheeler was not going to move of his own volition, and that the secretary's intense lobbying – assisted by his friends – had rendered a Hewitt appointment impossible and of anyone else improbable. In the absence of an unanswerable case for shifting him, the prime minister simply folded.

Sir Frederick Wheeler was both a survivor and a survival. His value system belonged to an era preceding the one where advisers, consultants, and staffers, short-term contracts, performance bonuses, impermanent heads and media-conscious officials, would become the norm. Since 1961, Wheeler had nurtured and promoted the next generation but his perspective remained that of an older public service where powerful men – whatever their height – were used to getting their way and staying where they were, while insisting they were there only to serve. As they genuflected in the direction of their ministerial masters, the best of them, and Wheeler was among the best of the best, practised politics with a skill and know-how which many professionals admired.⁴⁰ No doubt,

38 NAA A6385/238, Part 5. For the last days before the split see parts 3 and 4.

39 Trevor Swan to Wheeler c. 3 April 1975. Swan was reporting his conversation over lunch with Karmel.

40 Sir John Carrick, interview with author, 31 January 2009.

Wheeler tested his own ethics in going beyond the role of adviser. Yet he could always claim that, throughout his career, he never abandoned nor compromised his core belief: public servants and ministers and prime ministers should all, and always, observe 'due process'.

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