



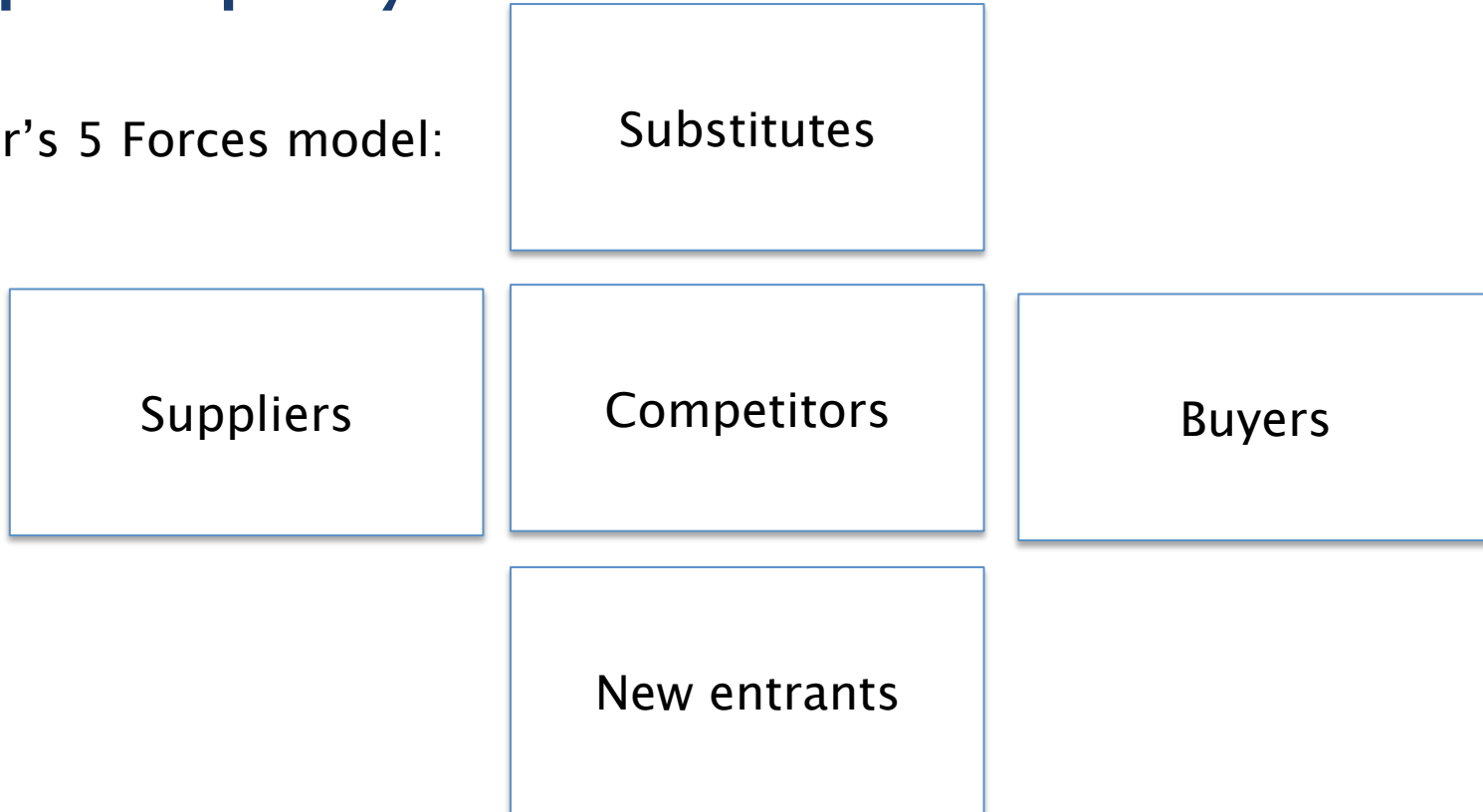
Is there still a role for the Public Service in providing policy advice?

- An economic perspective
- James van Smeerdijk
Partner PwC



What is the market for public policy advice?

Porter's 5 Forces model:





What is the market for public policy advice?

The Australian public policy advice market:

Substitutes

- The public service
- Industry associations
- Uni's, NGOs, think tanks

Was very small prior to the early 1990s micro-economic reforms, mainly Uni's

Suppliers

- Skilled staff
- Training
- Intellectual property
- Data

Competitors

- Major consulting firms
- Boutique firms
- Contractors
- Uni's, NGOs, think tanks

Buyers

- Mainly public servants
- Corporations
- Industry associations
- Some NGOs

Initial growth of boutique firms, now mainly major firms

New entrants

- Global firms
- Other professions
- Digital disruption

Market size now perhaps \$200m p.a.



Key take-outs on the market?

Substitutes

- The public service
- Industry associations
- Uni's, NGOs, think tanks

1. Public servants have a very strong position in the market

Suppliers

- Skilled staff
- Training
- Intellectual property
- Data

Competitors

- Major consulting firms
- Boutique firms
- Contractors
- Uni's, NGOs, think tanks

Buyers

- Mainly public servants
- Corporations
- Industry associations
- Some NGOs

New entrants

- Global firms
- Other professions
- Digital disruption



Key take-outs on the market?

Substitutes

- The public service
- Industry associations
- Uni's, NGOs, think tanks

1. Public servants have a very strong position in the market

Suppliers

- Skilled staff
- Training
- Intellectual property
- Data

Competitors

- Major consulting firms
- Boutique firms
- Contractors
- Uni's, NGOs, think tanks

Buyers

- Mainly public servants
- Corporations
- Industry associations
- Some NGOs

New entrants

- Global firms
- Other professions
- Digital disruption

2. Highly competitive, many and varied sellers and substitutes and no major barriers to entry



Key take-outs on the market?

Substitutes

- The public service
- Industry associations
- Uni's, NGOs, think tanks

1. Public servants have a very strong position in the market

Suppliers

- Skilled staff
- Training
- Intellectual property
- Data

3. Strong competition for labour, tends to flow to the individual

Competitors

- Major consulting firms
- Boutique firms
- Contractors
- Uni's, NGOs, think tanks

New entrants

- Global firms
- Other professions
- Digital disruption

Buyers

- Mainly public servants
- Corporations
- Industry associations
- Some NGOs

2. Highly competitive, many and varied sellers and substitutes and no major barriers to entry



Key take-outs on the market?

4. Potential for future market disruption through data and IP

Suppliers

- Skilled staff
- Training
- Intellectual property
- Data

3. Strong competition for labour, tends to flow to the individual

Substitutes

- The public service
- Industry associations
- Uni's, NGOs, think tanks

Competitors

- Major consulting firms
- Boutique firms
- Contractors
- Uni's, NGOs, think tanks

New entrants

- Global firms
- Other professions
- Digital disruption

1. Public servants have a very strong position in the market

Buyers

- Mainly public servants
- Corporations
- Industry associations
- Some NGOs

2. Highly competitive, many and varied sellers and substitutes and no major barriers to entry



Is there still a role for the Public Service in providing policy advice?

- Returning to the question...
- It is not really about the public policy advice market, which appears to function quite well
- It is really about the market for influence



Trends in the market for influence

- The rise of the Ministerial office
- More sophisticated corporations with substantial in-house and industry association resources
- Stronger civil society
- Erosion of public service capability in some areas
- Growing reliance on external public policy development mechanisms, often with a limited role for the public service
- Greater transparency and easier access to more information and increasing digital opportunities



Concluding thoughts

- The key issues concern the *market for influence* rather than the market for public policy
- *Plurality and contestability are not new*, but they are desirable
- *Technology is new*, and will probably have the most profound influence over the coming years
- Three key questions to ask in the public interest are:
 - Who has *access to the facts?*
 - Who has the *capability to interpret the facts?*
 - How do you manage *potential bias?*