

Public Policy Drift

Why governments must replace 'policy on the run' and 'policy by fiat' with a 'business case' approach to regain public confidence

Percy Allan AM
National President
Institute of Public Administration Australia
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Public Policy Making is Adrift

- ▶ The public policy making process in Australia is adrift, notwithstanding regular affirmations by governments at all levels to an evidence and consultation-based approach.
- ▶ IPAA's discussion paper advocates that public policy making adopt a 'business case' approach.

A Business Case Approach

- ▶ By a 'business case' approach we mean
 - establishing the facts and known views about a situation,
 - identifying the alternative policy options,
 - weighing up their pros and cons (either quantitatively or qualitatively depending on whether the policy is 'hard' or 'soft'),
 - sharing those findings with the public and getting its reaction, after which
 - finalising a policy position to put before Parliament or to promulgate by regulation.

Green and White Papers

- ▶ The use of Green and White policy papers is critical to such an approach yet is used sparingly in Australia even though it pays huge political dividends by giving those affected an opportunity to help shape the outcome of policy and thereby have ownership of it.
- ▶ Green papers float proposals for public feedback whereas White papers outline the final form that policy will take before it's reviewed as legislation.

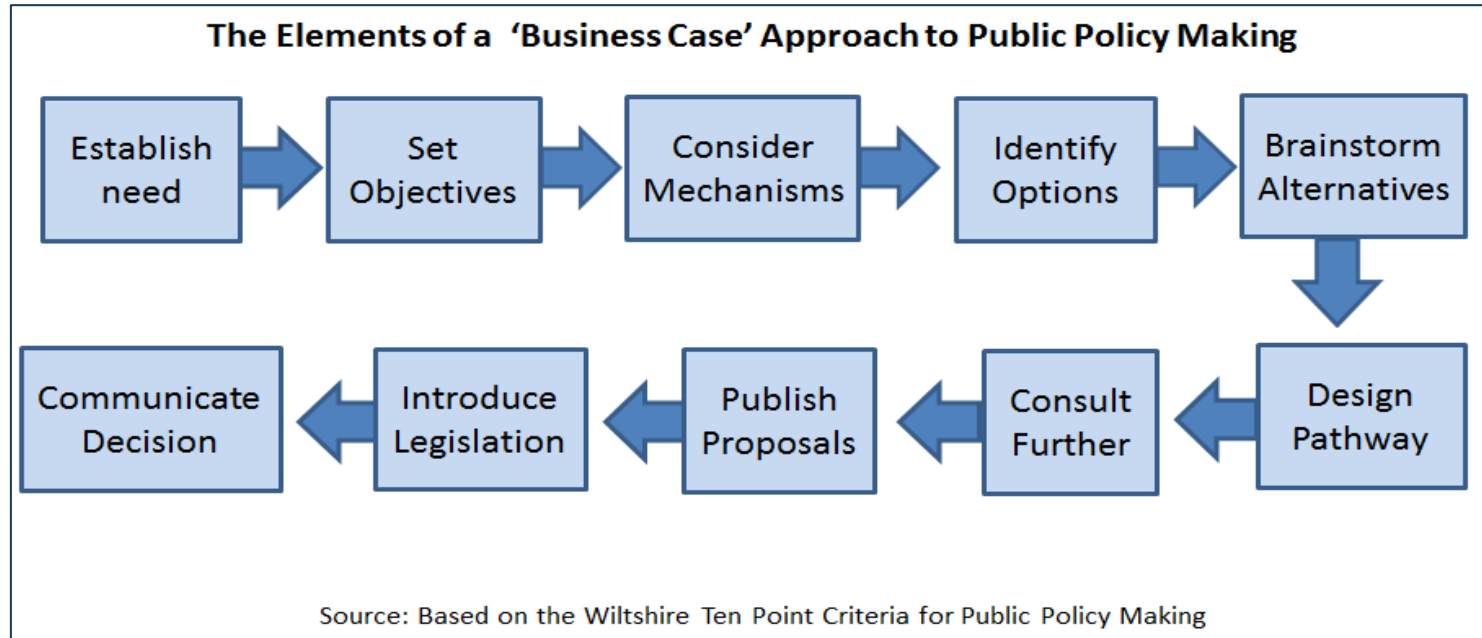
Policy on the Run

- ▶ The alternative approaches of making ‘policy on the run’ and ‘policy by fiat’ and then overselling them through ‘spin-doctoring’, are usually a recipe for failure both for the giver (the politician) and the receiver (the citizen).
- ▶ Yet politicians continue to repeat these mistakes probably at the behest of their media advisers who seek a daily profile for them at the expense of their ongoing credibility.

The Wiltshire Public Policy Development Criteria

- ▶ Based on an article prepared for the Committee for the Economic Development of Australia (CEDA) by Professor Kenneth Wiltshire of the University of Queensland Business School, the essential elements involved in developing a business case in a public policy context can be summarised in a ten step flow chart.

The Elements of a 'Business Case' Approach



Ten Criteria for a Public Policy Business Case

- 1. Establish Need:** Identify a demonstrable need for the policy, based on hard evidence and consultation with all the stakeholders involved, particularly interest groups who will be affected. ('Hard evidence' in this context means both quantifying tangible and intangible knowledge, for instance the actual condition of a road as well as people's view of that condition so as to identify any perception gaps).
- 2. Set Objectives:** Outline the public interest parameters of the proposed policy and clearly establish its objectives. For example interpreting public interest as 'the greatest good for the greatest number' or 'helping those who can't help themselves'.

Ten Criteria for a Public Policy Business Case

3. Identify Options: Identify alternative approaches to the design of the policy, preferably with international comparisons where feasible. Engage in realistic costings of key alternative approaches.

4. Consider Mechanisms: Consider implementation choices along a full spectrum from incentives to coercion.

5. Brainstorm Alternatives: Consider the pros and cons of each option and mechanism. Subject all key alternatives to a rigorous cost-benefit analysis. For major policy initiatives (over \$100 million), require a Productivity Commission analysis.

6. Design Pathway: Develop a complete policy design framework including principles, goals, delivery mechanisms, program or project management structure, the implementation process and phases, performance measures, ongoing evaluation mechanisms and reporting requirements, oversight and audit arrangements, and a review process ideally with a sunset clause.

Ten Criteria for a Public Policy Business Case

7. Consult Further: Undertake further consultation with key affected stakeholders of the policy initiative.

8. Publish Proposals: Produce a Green and then a White paper for public feedback and final consultation purposes and to explain complex issues and processes.

9. Introduce Legislation: Develop legislation and allow for comprehensive parliamentary debate especially in committee, and also intergovernmental discussion where necessary.

10. Communicate Decision: Design and implement a clear, simple, and inexpensive communication strategy based on information not propaganda, regarding the new policy initiative.

How do public policies rate on the Wiltshire business case test?

- ▶ Our paper applied the Wiltshire ‘business case’ criteria to testing the extent to which high profile policies in recent years accorded with good policy making processes. The case studies were selected randomly across portfolios and functional areas.
- ▶ The findings are based on research by Howard Partners, a public policy and management advisory practice. It focused on federal policies since we did not have the resources to test recent policies at a state level or examine those of previous federal governments. Nevertheless we suspect many of our observations apply more generally to governments in Australia past and present.

Policies that Failed the Wiltshire Business Case Test

- ▶ Policies that were considered to have failed the Wiltshire test were:
 - The Alcopops Tax
 - Building the Education Revolution
 - NBN - National Broadband Network
 - Darwin to Alice Springs Railway
 - FuelWatch
 - Green Car Innovation Fund
 - Green Loans Program
 - Home Insulation
 - Grocery Watch
 - Set Top Boxes for pensioners

Policies that Failed the Wiltshire Business Case Test

Figure 3: Policies developed on the run: conformance with business case criteria

Criterion		Alcopops Tax	Building the Education Revolution	National Broadband Network	Darwin to Alice Springs Railway	FuelWatch	Green Car Innovation Fund	Green Loans Program	Home Insulation	Grocery Watch	Set Top Boxes for Pensioners
1	Demonstrable, evidence based need		✓	✓		✓	✓	✓			
2	Public interest parameters	✓	✓								
3	Consideration of alternatives										
4	Implementation choices										
5	Cost-benefit analysis										
6	Policy design framework				✓		✓				
7	Further consultation										
8	Produce green then white paper				✓		✓				
9	Develop legislation	✓	✓	✓	✓	✓	✓	✓			
10	Communication				✓		✓	✓	✓		

Source: Howard Partners' Desk Top Assessment commissioned by IPAA's National Submissions Committee, March 2012.

Case Study – BER

Figure 7: Building the Education Revolution

	Criterion	Comment
1	Demonstrable, evidence-based need	Yes, in an education context, but not well articulated in a public policy framework
2	Public interest parameters	Yes
3	Consideration of alternatives	No
4	Implementation choices	No
5	Cost-benefit analysis	No
6	Policy design framework	No – developed in the process of implementation
7	Further consultation	No
8	Produce Green then White paper	No
9	Develop legislation	Yes
10	Communication	No. Emphasis on economic stimulus outcomes rather than on education

Case Study – NBN

Figure 18: National Broadband Network

	Criterion	Undertaken
1	Demonstrable, evidence-based need	Yes. Established in previous reviews and inquiries, but the need did not suggest the solution
2	Public interest parameters	No. Debate concerning extent to which the policy delivers 'the greatest good for the greatest number'
3	Consideration of alternatives	No. Options for private sector delivery and ownership not referred to in the April 2009 announcement. Early models did contain alternatives
4	Implementation choices	No
5	Cost-benefit analysis	No
6	Policy design framework	No
7	Further consultation	No
8	Produce Green then White paper	No
9	Develop legislation	Yes
10	Communication	No

Policies that Passed the Wiltshire Business Case Test

- ▶ Policies that reflected the application and use of information, knowledge, and evidence though not necessarily seeking public input before they were announced were:
 - Higher Education – *Transforming Australia's Higher Education System*
 - Innovation – *Powering Ideas: An Innovation Agenda for the 21st Century*
 - Environment – *Caring for our Country*
 - Taxation – *The Resources Super Profits Tax*
 - Water – *The Murray Darling Basin Plan*
 - Energy – *Emissions Trading and Carbon Tax*
 - Disability – *National Disability Strategy 2010-2020*
 - Regional Development – *Regional Development Australia*

Policies that Passed the Wiltshire Business Case Test

Figure 4: Policies assessed use information, knowledge, and evidence: conformance with business case criteria

Criterion	Transforming Higher Education	Powering Ideas	Caring for our Country	Resources Super Profits Tax	The Murray Darling Basin Plan	Emissions Trading/ Carbon Tax	National Disability Strategy	Regional Development Australia
1	Demonstrable need	✓	✓	✓	✓	✓	✓	✓
2	Public interest parameters	✓	✓	✓	✓	✓	✓	✓
3	Consider alternatives				✓	✓	✓	
4	Implementation choices			✓	✓	✓	✓	
5	Cost-benefit analysis			✓	✓	✓	✓	
6	Policy design framework	✓	✓	✓	✓	✓	✓	✓
7	Further consultation	✓	✓	✓	✓	✓	✓	✓
8	Green then white paper	✓	✓		✓	✓	✓	
9	Develop legislation	✓	✓	✓	✓	✓	✓	
10	Communication	✓	✓	✓			✓	✓

Source: Howard Partners' Desk Top Assessment commissioned by IPAA's National Submissions Committee, March 2012.

Case Study – RSPT & MRRT

Figure 19: Resources Super Profits Tax

	Criterion	Comment
1	Demonstrable, evidence-based need	Current taxes and charges on Australia's non-renewable resources could serve the Australian community better. Proposals for national resources rent tax had been under consideration for many years
2	Public interest parameters	The public interest is served by a better return to the community. The royalty system did not capture a proportion of revenue from increased profits of mining companies. The mining industry and state governments did not consider that their interests were well served by the proposal
3	Consideration of alternatives	Issues Paper prepared
4	Implementation choices	Yes. Canvassed in Issues Papers and Henry Report
5	Cost-benefit analysis	Costs and benefits were detailed in the Issues Paper and Green Paper. The productivity Commission was not involved
6	Policy design framework	The design framework was contained in the <i>Final Design Paper</i>
7	Further consultation	The policy was announced in the 2011–2012 Budget. There was extensive consultation with stakeholders after the budget announcement
8	Produce Green then White paper	Green Paper: <i>Australia's Future Tax System: Report to the Treasurer</i> (Australia. Australia's Future Tax System 2009) White Paper: <i>The Resources Super Profits Tax: A Fair Return to Australia</i> (Australia. Treasury 2010)
9	Develop legislation	Exposure Draft Legislation issued Extensive Parliamentary debate
10	Communication	Communication strategy not effective in countering opposition from the mining sector or State governments

Case Study – ETS & CT

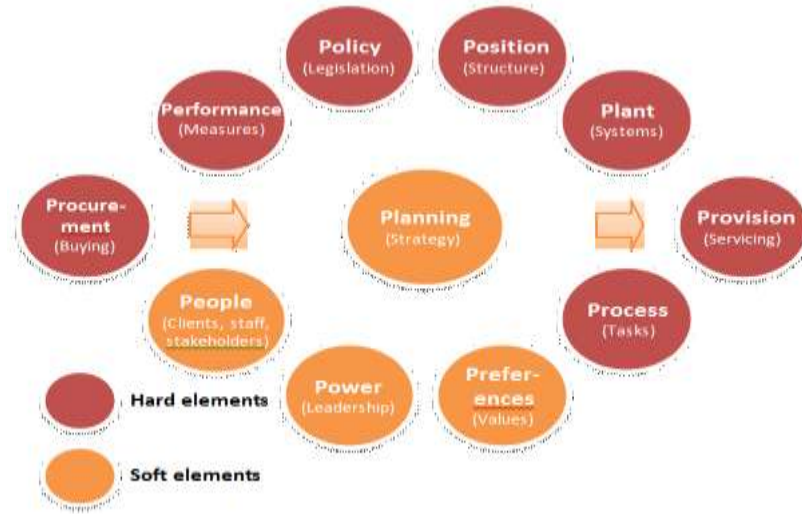
Figure 21: Emissions Trading and Carbon Tax

	Criterion	Comment
1	Demonstrable, evidence-based need	Policy developed in response to concern about climate change
2	Public interest parameters	Yes
3	Consideration of alternatives	Yes
4	Implementation choices	Yes
5	Cost-benefit analysis	Yes
6	Policy design framework	Yes
7	Further consultation	Yes
8	Produce Green then White paper	Yes. Papers prepared during the early years of the Rudd Government
9	Develop legislation	Yes
10	Communication	Yes, but failed to achieve

Our Paper's Recommendations

- All Governments formally commit to applying a Wiltshire style 'business case' framework to policy making.
- All elements and phases of public policymaking be open, transparent, consultative and accountable.
- The 'business case' be founded on a strong evidence base including consultation with those affected directly (e.g. clients) or indirectly (e.g. taxpayers).
- Education and training programs be developed at all levels of Government to establish policy capability and a culture of policy stewardship.

The Hard and Soft Elements of Policy Delivery



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