



Institute of Public  
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# Public Policy Drift

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

Institute of Public Administration Australia (IPAA)

Public Policy Discussion Paper

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## Executive Summary

The public policy making process in Australia is adrift, notwithstanding regular affirmations by governments at all levels to an evidence and consultation-based approach.

Accepted good policy making criteria are well known but an analysis of 18 recent major policies has shown that too few adequately satisfy the standards we should expect. While these case studies of policies relate to the national level, anecdotal evidence suggests the situation is similar at state or local government levels. Nor do we recall previous federal governments committing to and then adhering to a well-defined process when making policy.

This paper advocates that public policy making adopt 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.

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.

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.

A business case approach does not imply a greater commitment of resources, time or effort. On the contrary, a requirement to produce a business case for a policy initiative can focus attention on *what is to be done and achieved* from the outset. It forces consideration of questions such as "what will be the impact?" and "is it really going to make a difference?" It shifts attention from amelioration and improvement to results. The assembly of evidence, consultation, analysis, and communication to support the decision process can be similarly targeted.

We believe that if governments used a 'business case' approach to devising, testing and communicating policies rather than resort to policy outbursts preceded by secrecy the outcome would not only be better policy, but better politics; namely better public understanding of pressing issues, wider community acceptance of government intentions and greater citizen confidence in the process followed.

Recent publicity about ‘failed policies’ such as the ‘Alcopops’ Tax, FuelWatch, Grocery Watch, Home Insulation and Set Top Boxes for Pensioners have generated calls for better policymaking. These calls are being made despite substantial debate, research and the promulgation of principles aimed at improving policymaking and its connection with implementation over the last decade.

There are, of course, many examples of established policies that have involved considerable thought and analysis before being executed. However on closer examination some of these policies appear not to have taken full account of possible options and alternatives for fixing a problem or exploiting an opportunity. In other cases there are policies which have been well-developed but for the want of good consultation and communication have created a public backlash and so become perceived as failures.

Public policies can be broadly categorised along a spectrum with the following endpoints:

- Policies that have been developed ‘on the run’ and introduced ‘by fiat’ often to exploit or react to a burning political issue – developed in haste and secrecy without proper investigation and designed to get maximum publicity without genuine stakeholder engagement.
- Policies made on the basis of an objective and well informed ‘business case’ assessment – reflecting the application and use of information, knowledge, and evidence including stakeholder input plus a concerted attempt to persuade the public of their merit.

Good policymaking requires moving from the anonymous and secret cloisters of the Westminster tradition, with Ministers being the only public face of policy. It demands an environment that is information and knowledge intensive, inclusive, engaged, and open. It also requires a better balance between policy reflection and speed given that new communication technologies encourage people to demand prompt responses to pressing issues. It takes place in a system, rather than a structure, with policymakers acting more as stewards and less as top-down controllers of sharply defined processes.

Within the contemporary policymaking environment, with its diverse constituencies, stakeholders, and access points, there is pressure for senior politicians in governments and oppositions to make decisions quickly and confidently in order to appear decisive, pander to populist ideas to appear responsive, manufacture wedge issues to distinguish themselves from their opponents, and to put a spin on everything to exaggerate its significance. At other times some leaders like to be seen to be making up their own minds, rather than following a course of action being advocated by somebody else (irrespective of the merits).

Policy success in this environment is very much a matter of chance. Policies developed ‘on the run’ often fail to be strategic and so fail in implementation. But even well-developed policies based on good information, knowledge, and evidence can look like failures if poorly communicated and implemented without constituency input and support.

There is often no differentiation in public perceptions. *Actual and perceived policy failure conveys a sense of crisis in the policymaking system.*

Of course, by focussing on politicians and the media cycle, we do not mean to absolve public servants from scrutiny. Public officials need to be champions of an evidence based policy approach including consulting with stakeholders most directly affected. Along with integrity and the courage to give objective advice these are key attributes of being a professional public servant.

This Paper identifies the reasons why policies developed ‘on the run’ usually fail to achieve beneficial results for either the public or politicians, and argues for the adoption of good practice approaches to policymaking that apply the elements of a strong ‘business case’ to persuade those affected and the wider community of the net benefits of policy initiatives or changes. It also argues for policymaking to be seen as a *capability*, acquired through learning and practice within a competency framework of good principles, procedures and processes.

The ‘business case’ approach to decision-making is already being adopted in parts of the Public Service, and arguably works best where the foundations of the business case are made transparent and assumptions made clear, so that people are able to fully understand why given options are chosen and measures of success determined.

For example, a business case assessment is a requirement for applicants submitting proposals for funding under major grants programs, such as the Cooperative Research Centres Program and the Education Investment Fund, and under the Department of Finance and Deregulation Gateway System for capital projects (although the full disclosure of business cases is not always apparent and needs to fully support evidence-based policy discourse and decision-making).

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 stated as follows:

#### **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’.
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.
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.

Our Paper applies 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 focuses 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.

An evidence and consultation based-framework is well accepted and advocated in public administration literature, yet seems to have been slow to be taken up in a comprehensive, consistent and rigorous manner by either Labor or Coalition governments in this country. In testing the adequacy of the processes followed in recent federal policies against the Wiltshire business case criteria, Howard Partners have attempted to categorise the case studies based on information in the public arena, though this has proven difficult in some cases because the policy making process was not always transparent.

The first set of policies may be considered to have **failed** the Wiltshire test:

- 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



While some of these policies met a few business case benchmarks, such as the public interest and communication criteria, they failed on most scores before being rolled out. This may explain why they are generally viewed as failing one or more acid tests; policy appropriateness, service effectiveness and cost efficiency (i.e. value for money).

The NBN has still to be completed, but its failure to observe good policy process lessens its likelihood of success. In the case of the BER the speed with which it was implemented (to counter the effects of the global financial crisis) meant corners were cut causing problems that might otherwise have been avoided. The second set of policies are generally accepted as reflecting the application and use of information, knowledge, and evidence though not necessarily seeking public input before they were announced:

- 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*

These policies have been, or are in the process of being implemented, although not always without conjecture. They have been assessed as having met seven or more of the business case criteria. Several did not meet the consultation criterion and four were assessed as weak on the communication criterion. This weakness has conveyed a perception of policy failure in many cases.

**The paper makes two key propositions for consideration.**

**First, all future policy initiatives should pass the test of a sound evidence base and a foundation in a demonstrable business case that can be put to the public before the policy is finalised.**

This proposition is made in the context of a discernible shift in emphasis in the narrative of good policymaking from policy *principles* to building policy *capacity and capability* as essential elements in senior management development. It is apparent in the Government's administrative reform agenda published in *Ahead of the Game* in 2010. It is a shift from an approach based on principles, procedures, and processes, to one built around learning about policymaking through *education and practice, but within a comprehensive policy making framework* such as articulated by Professor Wiltshire.

Good policy making capability thus goes beyond an evidence based approach. It requires the adoption, application and use of knowledge in policymaking as well as a capability to work in an inclusive, engaged, and open way with those whom it most affects. It also requires transparency of decision-making and accountability for outcomes – whether outcomes are judged to be successes *or* failures.

## **Second, further and ongoing investments should be made by Government in building policymaking capability.**

This investment should be alongside the already large commitment by Government for public policy research. This commitment is important for building the knowledge base for learning and education.

But good analysis by itself will not guarantee that better results will be delivered and outcomes will be achieved. The cookbook does not create the meal. There are other factors at work, including political awareness, strategic thinking, management capacity, information systems, project management, organisational structures, internal controls, performance metrics, and effective communication. These factors relate to wider management and organisational *capabilities*.

Also of key importance is to sound out those most affected by a proposed policy before finalising it. This might steal the thunder of a media release announcing it, but should minimise any public backlash by correcting mistakes or modulating particular impacts of the policy. This should result in not only better policy, but a better political response to such policy.

Four key recommendations flow from this Paper:

- 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.

# 1 Introduction

There has been a great deal of attention given in policy discussions and the media to what might be termed “failed policies” – policies that have not delivered what they were intended to do and achieve and as a result caused a public backlash. Many policy failures display symptoms of having been ‘developed on the run’. Failures have fuelled public debate about policy failure and waste. They have also stimulated calls for better policymaking and, in particular, a greater commitment to *evidence based policymaking* and public consultation before turning ‘brain waves’ into expensive initiatives.

Policies do not fail so much because they are misdirected or misread a problem: they often fail because *the business case* for action and intervention has not been prepared, tested and validated and most importantly argued persuasively in the public arena before being rolled out. This reflects in large part the origin of these policies as election promises, responses to aggressive lobbying by interest groups and policies ‘developed on the run’.

Promises made at elections are a feature of our democratic process, as is advocacy by interest groups and citizens generally, for policy action, change, and special treatment. The challenge for public administrators is to advise governments on designing policy that is coherent and strategic so that it succeeds, since a failed policy not only angers citizens, but also reflects on the politician that devised it.

Apart from the political processes, there is a growing expectation within the community that policymaking should be inclusive, engaged, democratic, collaborative, open, and knowledge based. Some of these expectations are mutually supporting, whilst others may give rise to conflicts and inconsistencies<sup>1</sup>. In a representative democracy neither ministers nor bureaucrats should surrender policy making to vested interests in the name of participation since both are accountable to the wider public interest as scrutinised by Parliament. The policymaking system is also information intensive.

Within the policy system there are also examples of policies and initiatives that have been based on knowledge generated through research, information collected through surveys, the opinion of experts, objective analysis, learning from experience, and broad stakeholder consultation.

In this environment policymakers are being required to act as stewards in a complex policy system rather than as directors of a ‘top down’ policy development, implementation and review process. As such, policymaking becomes a capability rather than a procedure that can be documented and followed by anyone who picks up a practice manual. Policy stewardship is an essential component of leadership in public sector organisations. It involves both managing up to the Minister and Parliament (where political accountability sits) and managing down through staff to clients and other stakeholders (where service performance rests).

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<sup>1</sup> A discussion of the influences in contemporary policymaking is included as Attachment 1.

There are, of course, policy areas where Governments find it difficult to get policy traction, or which are continually problematic.

- Assistance for the manufacturing industry
- Asylum seekers and refugees
- Broadcasting and media policy
- Labour market policy
- Health and hospitals funding
- Vocational education and training
- Schools funding

Policy in these areas is complex and controversial, notwithstanding the many reviews and inquiries that have been undertaken over the years. The debate becomes more complex where there are contrasting views regarding evidence and the public interest and shared responsibilities between the Commonwealth and the States. Nevertheless a 'business case' approach can make a major contribution to forging consensus in these areas by sorting out fact from emotion and engaging community leaders in actual problem solving rather than grandstanding.

Several key questions emerge from this situation:

- Are the policy failures that receive media attention a basis for making a general call for the more widespread application of evidence-based/consultative approaches in public policy?
- Can the good practice that has been developed and applied in many policy areas be more widely adopted?
- Should all policy proposals, including those that emanate through the electoral cycle and from pressure groups be subject to business case assessment?
- How and by whom should business cases be assessed and validated?
- Does a focus on the policy process overlook more important issues relating to building policy capacity and capability?
- Given the broad range of influences on policy, would it be more useful to see policy as less of a process and structure, and more as a system?

These issues are addressed in the remainder of this Paper.

## 2 Public issues and objectives

The problem of 'policy on the run' is a feature of our system of Government that Ministers will announce policy initiatives in an election campaign, include untested new proposals in the Budget, or make decisions in responses to strong representation and lobbying. They also make policy announcements to attract attention and news coverage.

Ministers like to act at a time of crisis (or political opportunity), or to respond constructively to representations from industry and non-government organisations. There is often little chance for reflection, analysis and review. Agencies may be then asked to implement decisions with limited resources, which may require a shift in priorities from other established programs.

Policies developed in this way often reflect a partial (or inaccurate) understanding of matters relating to an issue, and/or an ideologically based perception of the situation. This can result in excessive claims being made about the veracity of an approach – but on the basis of partial analysis and unbalanced assumptions. Evidence provided to support a policy approach might be biased, incomplete or inaccurate.

These aspects of public policy point to a need for a more systematic and knowledge based approach to policymaking. There are associated issues such as building capabilities and seeing policy making as a system that is inclusive, engaged, and open.

Some of the more notable examples of policies that are popularly regarded as having been developed ‘on the run’, or without adequate assessment of a supporting business case are as follows<sup>2</sup>:

- The “Alcopops” Tax
- Building the Education Revolution
- Darwin to Alice Springs Railway
- FuelWatch
- Green Car Innovation Fund
- Green Loans Program
- Home Insulation
- Grocery Watch
- Set Top Boxes for Pensioners

These policies have been identified on the basis of a survey of policies that have attracted substantial criticism and media attention for failing to achieve the results intended. Policies are often developed without serious thought being given to delivery. This problem is discussed in section 4.3 on Implications.

These shortcomings can be overcome by adoption of a better approach to policymaking involving the use of evidence and adoption of a *business case* approach to winning public support.

## 2.1 The search for better policy making

The search for better policy making has been on the public sector management agenda for years. There are several dimensions to the search. Much of the search has involved promulgating generally applicable ‘principles’ and procedures that are intended to represent good practice. This has been associated with recommending the introduction of new structures, systems, and processes that should be followed.

Many organisations have documented policy making ‘procedures’ and ‘toolkits’ and placed them in policy manuals and repositories. These documents describe the steps in developing policy but do not always provide help in developing the content.

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<sup>2</sup> It is noted that some of these policies were associated with the economic stimulus package where speed of delivery deliberately took precedence over efficiency and effectiveness of outcome. However, even in these cases there were perhaps better options for spending money quickly that weren’t considered (e.g. local government had billions of dollars of dilapidated local roads, retaining walls, storm water drains, recreation facilities and other small scale community assets of a generic type that could have been repaired and renewed without complex design plans using local labour at short notice).

Several years ago the UK Government said, in the context of its *Modernizing Government* white paper, that it wanted a new and more creative approach to policy making. It laid out the following principles (Great Britain. Parliament 1999):

- Designing policy around shared goals and carefully defined results
- Making sure policies are inclusive
- Avoiding imposing unnecessary burdens
- Involving others in policy making
- Improving the way risk is managed
- Becoming more forward- and outward-looking
- Learning from experience

A lengthy report on processes was prepared by the UK Cabinet Office, *Professional Policy Making for the 21<sup>st</sup> Century* (Great Britain. Cabinet Office 1999) and guidance was provided by the National Audit Office, *Modern Policy Making: Ensuring Policies Deliver Value for Money* (Great Britain. National Audit Office 1999). These documents were closely followed by a lengthy resource document from the Centre for Management and Policy Studies in the Cabinet Office, *Better Policy Making* (Bullock, Mountford, and Stanley 1999).

In Australia there have been several official publications providing 'guidance' for better policymaking including publications from the Australian National Audit Office (Australia. Australian National Audit Office 2001, 2006).

Last year the British Institute for Government, in *Making Policy Better: Improving Whitehall's Core Business* identified a similar list to the 1999 (Hallsworth and Rutter 2011).

These 'fundamentals' and others like them, which are found in policy (and management) textbooks, handbooks, and best practice guides are uncontroversial. Such well-intended efforts are designed, in effect, to create policymaking *competence*. People will know what policy is about.

But trying to follow a set of principles or fundamentals in any policy setting will not guarantee that better results will be delivered and outcomes will be achieved. The cookbook does not create the meal. There are other factors at work, including management capacity, supporting systems and structures, good strategies and performance benchmarks, and effective communications and complaints handling mechanisms. These factors relate to management and organisational *capability*.

Policy making is fundamentally a problem-solving and creative activity. It is not easily amenable to a menu or 'cookbook' approach. It involves *the application of knowledge and thinking* – deductively (around cause-effect relationships) or inductively (looking for patterns and trends). Recently there has been attention given to *design thinking* (creative thinking-in-action) in public policy. *Policymaking is a capability.*

One of the policy capabilities that it is most difficult to create and sustain is evidence-based policymaking: this capability relates principally to the adoption, application and use of information and knowledge in a policy setting. Without

this capability the mantra of an ‘evidence-based’ approach to policymaking runs the risk of being superficial and trite and dismissed as a fad or a buzzword.

Policymaking also involves multiple players and decision points, particularly in a federal system. This “massively distributed” nature of policy making is not only a function of federalism, but is also an intrinsic feature of policy issues which attract much larger and more diffuse communities of interest.

It relies on expertise found in a broader and more diverse group of people and organisations than found within the public sector itself. It involves orchestrating a complex, fast-paced and rapidly evolving “dance” of players, decisions, impacts and feedback loops that cannot easily be “known” or controlled by a central point.

As public policy becomes more inclusive, engaged and open, pressures can mount for Ministers to make quick decisions in response to issues that get beaten up by the media. Yet it is precisely under such circumstances that policy announcements must be founded on a solid information and knowledge base if mistakes from ‘shooting from the hip’ are to be avoided.

## 2.2 The offer of “evidence-based” policymaking

There is a widely held expectation that policymaking will be informed by knowledge developed through investigation, research, and analysis. There has been strong advocacy for the application of evidence-based policy making by the Productivity Commission (Banks 2009a, 2009b) with support from the Australian Public Service Commission (Briggs 2006), think tanks (Staley 2008), policy academics (Head 2008; Edwards and Evans 2011) and consultants (Allen 2011).

There has also been a strong call from scientists – representing both the natural and social sciences. This does not mean that policy should be developed by academics working alone in universities and research institutions. It does mean, however, that policy should be informed by existing and emergent bodies of knowledge – not only from the technological sciences and engineering, but also from the social sciences and humanities.

Phillip Davies, the UK Government’s Chief Social Science Researcher<sup>3</sup>, defined evidence-based policy in the following terms:

*In its broadest form evidence based policymaking is an approach that helps people make well informed decisions about policies, programs and projects by putting the best available evidence from research at the heart of policy development and implementation (Davies 2004, 1999)<sup>4</sup>*

The interest in evidence-based policy is paralleled by interest in evidence-based decision-making in the field of management. These interests have in common an extension of the features of evidence-based medicine. The origins of evidence based medicine can actually be traced back to 1847 when a researcher found

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<sup>3</sup> While Australia has a Chief Scientist, it has resisted pressures from the social sciences lobby (CHASS) to establish a Chief Social Scientist.

<sup>4</sup> An important aspect of this and similar definitions of evidence-based policy is the suggestion that evidence be derived from research. The way in which insights and knowledge created through research are transferred and translated into policy action is an important issue in the current policy contexts and will be discussed further below.

that contaminated surgical instruments, not the personal habits of patients, were the causes of infections (Rousseau 2006).

The medical analogy defines several *levels of evidence* in medical research. These have been used to define evidence levels in management research, and can be extended to policy research. The parallels at each level are summarised in Figure 1.

**Figure 1: Levels of Evidence in Medical Research vs. Evidence Based Policy and Management Research**

Level of Evidence	Medical Research	Policy and Management Research
Level 1: Evidence is generated through ...	Large-sample randomised control trials (RCTs) or meta analyses.	RCTs or meta-analyses.
Level 2: Evidence emerges from ...	Small Sample RCTs or systematic literature review.	High quality literature reviews that are replicable and comprehensive, or systematic literature review.
Level 3: Evidence is garnered through ...	Observational studies, retrospective case studies, or prospective cohort studies.	Comparative, multisite case studies or large-sample quantitative studies.
Level 4: Evidence is gathered through ...	Historical controls. Past experience used as a control and all new patients receive a new intervention.	Small-sample, single site qualitative or quantitative studies. Studies are theory based and undertaken by experienced researchers.
Level 5: Evidence is generated through ...	Descriptive clinical studies. How to apply a new technique, identify problems associated with it, and seeing how it works with different patients	Descriptive studies and/or self-report studies. These studies generally include observations, warnings, and recommendations.
Level 6: Evidence is based on ...	The opinion of respected authorities or expert committees without additional data.	The opinion of respected authorities or expert committees without additional data.

Source: Based on Reay, Trish, Whitney Berta, and Malanie Kazman Kohn. "What's the Evidence on Evidence-Based Management?" *Academy of Management Perspectives*, November (2009)

Figure 1 helps to think about the current state of evidence-based policymaking in Australia. Very few Randomised Control Trials (RCTs) have been undertaken outside the health, education and community services domains, but examples of other levels of evidence based policy approaches can be found across most Commonwealth policy fields.

There is a tendency, however, for evidence to be collected at Level 6, where evidence is based on "the opinion of "experts". This is the weakest form of evidence for policymaking. An assessment of the level of evidence in some recent policy situations will be made in Section 4 below.



## 2.3 Criticisms of the evidence-based approach in the Australian context

Evidence-based policy has been criticised on the grounds of its use of the scientific process. For example:

*The idea that policy should be based on best research evidence might appear to be self-evident. But a closer analysis reveals a number of problems and paradoxes inherent in the concept of "evidence-based policymaking." The current conflict over evidence-based policymaking parallels a long-standing "paradigm war" in social research between positivist, interpretivist, and critical approaches (Greenhalgh and Russell 2009).*

Critics suggest that a narrowly defined scientific base for making policy is inherently unable to explore the complex, context-dependent, and value-laden way in which competing options are negotiated by individuals and interest groups (Greenhalgh and Russell 2009). Critics also point to:

- Policy problems being intractable, insufficiently delineated, or simply not amenable to empirical research – such as the asylum seeker issue.
- Financial constraints that may make the evidence based recommendations unaffordable – the recent Gonski Report on School Education, for example.
- Research evidence being ambiguous, value laden and not widely applicable – water management issues in the Murray Darling basin have been cited as an example.
- Experience, local knowledge and informed opinions competing with empirical findings.
- Research questions and underlying assumptions being deficient.
- Policy making processes being diffuse, iterative and haphazard. Lindblom's "Science of Muddling Through" is often still cited as a more 'realistic' representation of policymaking (Lindblom 1968)<sup>5</sup>.
- Time scales might be out of step with the investigation process – such as assessing impact of publicly funded research and research and development expenditure.

There are, of course, factors other than evidence that influence policymaking, such as the personal values, beliefs, prejudices and judgements of Ministers, ministerial staff and bureaucrats, the influence of lobbyists, pressure groups and the media, and simple pragmatism. These factors encourage Ministers to make quick decisions, often without referral to a Department for formal advice, or assessment of the case that has been made for a policy intervention. They lay the basis for probable policy failure.

At the same time one must not discount the importance of using intuition grounded in knowledge and experience in making judgements about policy. This is particularly so when factual information is absent or would take years to procure – for example, testing whether a particular correctional process results

<sup>5</sup> Lindblom's thesis is that "Short courses, books, and articles exhort administrators to make decisions more methodically, but there has been little analysis of the decision-making process now used by public administrators. The usual process is investigated here – and generally defended against proposals for more 'scientific methods'". Fortunately, however, the science has progressed over the last 54 years.

in lower re-offending rates, or whether a particular form of teaching results in higher literacy rates.

Also making a decision quickly is often necessary where collecting and assessing evidence and then consulting widely is not possible because of time constraints. Two examples come to mind; emergencies and election campaigns. During emergencies such as war, natural disasters and economic calamities, reacting quickly to events becomes important since a more measured approach risks procrastination through 'analysis paralyzes'. Likewise during election campaigns when the public attention on civic problems and their possible solutions becomes more acute, it is difficult for politicians to ignore issues that suddenly ignite without warning. Not to act instantly on such matters could amount to political suicide.

However, 'cutting corners' should not be the norm where a quick policy decision has a medium to high risk of being both faulty and high impact in its consequences because it was not subject to proper business case scrutiny. As a general rule, reflex policy making should be confined to emergencies and election campaigns and even in these cases wise heads and experienced hands should be consulted before rushing into action. Also promising a public review of a problem is often the best way of assuring the public that the matter will be attended to without committing to expensive action that could at best be suboptimal and at worst ineffective or harmful.

An example of justifiable quick action was during the global financial crisis in 2008 when the federal government was advised by the Treasury to 'go early and go hard' to offset an economic tsunami from abroad. Ironically the main criticisms of the government's stimulus program after that event was that the infrastructure component consisted of too many large and complex projects to be implemented quickly with the result that the bulk of the expenditure impact was not felt until after the crisis was over.

The criticisms of the evidence based approach do not diminish in any way the need for substantiation and justification in policymaking. In many respects the shortcomings often cited make the case for a commitment to an evidence based approach even more compelling. With limited resources, a strong accountability regime, and awareness of risk, Governments must have guidance (evidence) about the expected results and impacts of policies, programs and projects – and where they can go wrong.

In August 2009 the Productivity Commission organised a Roundtable on *Strengthening Evidence-based Policy in the Australian Federation*. The Roundtable brought together 16 leading public policy academics and policy practitioners. Each presented papers that have been subsequently published by the Commission together with background papers (Australia. Productivity Commission 2010a, 2010b). The Chairman of the Commission has also spoken at forums and events on the issue.

In a paper for the Roundtable, Professor Brian Head (Griffith University) commented that while the sentiments of evidence based policy have been well received, the practical implications remain open to interpretation and debate. He suggested that:

*The initial lack of explicit guidance concerning preferred methodologies may have been a matter of either serious concern or great relief for different sections among the policy professionals. The overall level of commitment to investments in policy-relevant research, program evaluation and policy skills training in Australia has been disappointing, especially at State level. It remains to be seen whether the reinvigorated commitment to EBP will lead to measurably greater investment in policy research and evaluation over the coming years (Head 2009).*

Professor Head's comments raise the need to consider the extent to which evidence-based policymaking is a competency matter, acquired through skills training and staff development programs, or whether it is a capability that involves a much broader issue of how knowledge is sourced, interpreted, adopted, and applied in policymaking settings.

IPAA believes that it is a function of both. And it also believes that it is impossible to determine how to build capability and competence without being clear about the very different ways in which knowledge of 'evidence' is itself defined, sourced, orchestrated and used.

## 2.4 What counts as evidence?

What counts as evidence and knowledge, and the context in which it is found and used, has to radically shift if it is to make sense in the current and emerging context. That includes the need for a much higher quotient of user-based knowledge and experience as well as integrating diffuse sources of non-institutional and unstructured knowledge that defy an essentially linear process to getting an optimal policy outcome.

In other words not following Professor Wiltshire's 10 steps in sequence but darting back and forth between them until problems are both technically solved and politically resolved. This can be a messy process, but one that delivers superior outcomes not just rote procedure. It is a process that is receiving more attention in the area of 'policy design' that draws on the methodologies of the design disciplines (Martin 2007).

As suggested in Figure 1, the creation of policy relevant evidence begins with knowledge generated through research and RCTs, and which could be assumed to be objective, disinterested, and robust (Levels 1 and 2). At another end there are approaches to generation of evidence that collect and scale opinion through conversations, surveys, and focus groups (Levels 5 and 6).

In February 2012 Science and Technology Australia renewed its concerns about Australia's inability to address issues such as the ageing population, natural resource availability, and environmental sustainability unless the link between science and policy is improved<sup>6</sup> (Academy for Technological Sciences and Engineering 2011; Ternouth and Garner 2011). Addressing these issues is predicated on the application of knowledge generated through research.

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<sup>6</sup> Science and Technology Australia, Media Release, *It's time we talked about policy*, Canberra, 23 February 2012.

These comments point to a need to invest in developing capacities for the generation of evidence and the capability to adopt, apply and use knowledge in policymaking contexts. This, in turn would suggest broadening the base for the sourcing of evidence, taking into account community and professional expectations of inclusiveness, engagement, and openness in policymaking.

These considerations point to the need for greater collaboration between the users and creators of evidence that is relevant for policymaking. These matters are taken up again in Section 5.

### 3 Known and accepted best practice

#### 3.1 Adopting a more 'business-like' approach to policymaking

In his address to the Graduate School of Government in May 2011, Terry Moran (then Secretary of the Department of Prime Minister and Cabinet) observed that the next wave of public sector reform will not just be about economics; it will be about adapting to the public service key principles of management that have been accepted without question in the private sector (Moran 2011).

In the private sector managers not only think about 'evidence-based strategy', they also think about a 'business case', a 'business model', or a 'business plan' as a foundation for strategic decisions and actions. In a public policy context, a 'business case' is a substantiated argument for a project, policy or program proposal requiring an investment, often including a financial commitment.

Adoption of a 'business case' approach in public policymaking is not new. Applicants for funding under a range of competitive grant programs are required to prepare a business case to support their applications. This is often a two stage process. Requests by Departments and Agencies for capital funding must pass through the Department of Finance and Administration Gateway Review Process<sup>7</sup>.

It is worthwhile making the point that a 'business case' is much broader than a 'financial case' because like an economic cost benefit analysis, a 'business case' is meant to take account of the triple bottom line of each policy option considered, namely its direct and indirect economic, social and environmental consequences over the longer term<sup>8</sup>. Hence the term 'business case' should not be confused with being exclusively concerned with the economic or financial implications of the proposed policy since it also extends to political, environmental and social issues that need to be taken into account.

In that sense, the idea of a 'business case' is best understood as a 'justification' or 'rationale' for the proposed policy framework or action: articulating what needs to change and why; what actions are to be taken to effect the change;

<sup>7</sup> The Australian Government introduced the Gateway Review Process (Gateway) to strengthen the oversight and governance of major projects/programs and assist *Financial Management and Accountability Act 1997 (FMA Act)* agencies to deliver agreed projects/programs in accordance with the stated objectives.

See <http://www.finance.gov.au/gateway/review-process.html>

<sup>8</sup> Contrary to its name an 'economic cost benefit analysis' covers not just economic, but also social and environmental impacts using both commercial and non-commercial means to measure their values.

what specific targets are set; and how success can be known and measured, are the fundamental tests of a good business case. Otherwise the implication is that good policy or policy practice is exclusively focused on justifying the policy proposal in terms of business management or corporate investment models.

We have used 'business case' rather than 'policy submission' because the latter term is too often associated with intra-government deliberations rather than the act of persuading a wider public audience of the merits of a policy proposal. For instance in a business case a government should issue a 'Green paper' to test a proposal before releasing a 'White paper' announcing what will be done.

### 3.2 Enhancing policymaking capability

The 2010 Advisory Group on the Reform of Australian Government Administration made a commitment for the APS to 'strengthen its capacity to undertake rigorous research, gather and analyse data and provide the highest-quality strategic policy advice'.

The expectation is that all agencies would strengthen strategic policy capability. Partnerships with academic and research institutions would be encouraged (Australia. Advisory Group on Reform of Australia Government Administration 2010). But strategic policy capability has got to be about much more than better links to universities and research institutions.

In this day and age, requisite knowledge and wisdom necessary for good policy often reside outside such traditional kinds of institutions with service users, front line service delivery staff, independent analysts, think tanks, smaller consulting teams and opinion survey firms.

Nevertheless there is a significant shift in emphasis from policy making as a process to policymaking as a capability, and a focus on capacity building. This is reflected in its proposed 'Reform 3'.

#### **Moran's Reform 3: Enhancing policy capability**

Strategy and strategic policy capability is essential to assisting government to consider future challenges. Innovation and outward looking advice is essential for good policy.

There is a perceived lack of strategy and innovation across the APS. Employees do not feel equipped to develop strategic policy and delivery advice, collaboration is not a routine way of working, and the immediacy of day-to-day activities prevents employees from focusing on emerging issues and producing forward looking policy analysis.

*Ahead of the Game: Blueprint for the Reform of Australian Government Administration*, p. 41 (Australia. Advisory Group on Reform of Australia Government Administration 2010) also referred to as the Moran Report.

In May 2010 the Commonwealth Government subsequently announced that it would fund The Australian National University (ANU) to play a lead role in enhanced teaching and research in public policy and establish the Australian National Institute for Public Policy to complement that enhanced role. The Institute operates as a strategic collaboration between the APS and ANU, providing a mechanism for strengthened partnership working between policy practitioners within government and academics with policy-relevant expertise.

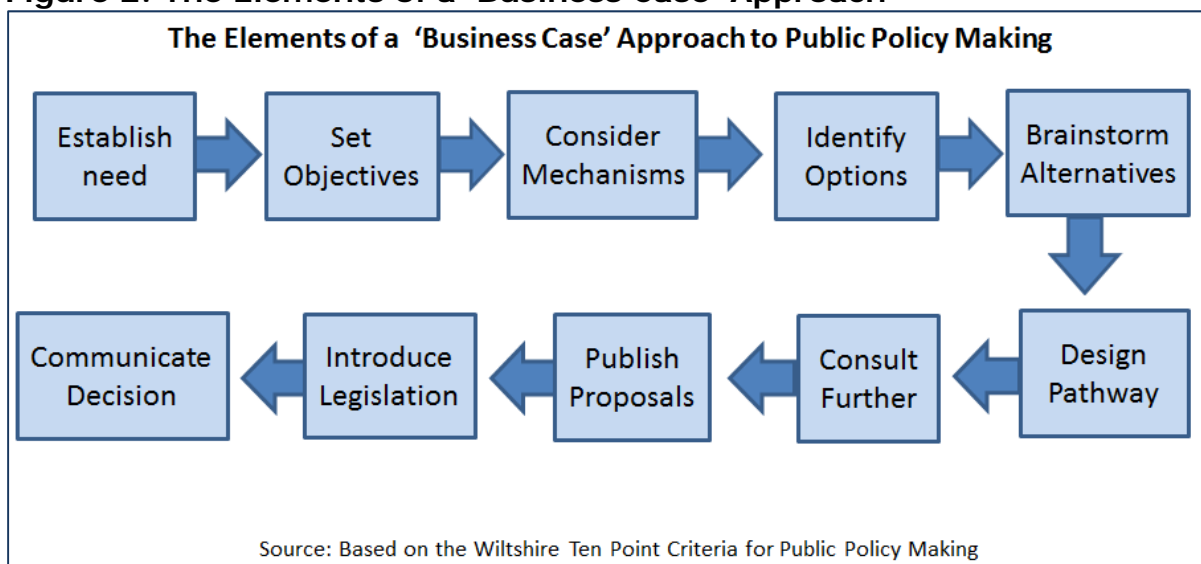
A similar initiative aimed at capacity building in Local Government is Commonwealth funding for the Australian Centre of Excellence for Local Government (ACELG) established in 2010.

The ANIPP and ACELG initiatives represent a shift in emphasis from *instruction and training in policy processes* to *learning and education for policymaking*. They are also associated with greater attention being given to the development of 'business cases' to support policy action.

### 3.3 Business case framework

Professor Ken Wiltshire of the University of Queensland Business School has prepared an article for the Committee for the Economic Development of Australia (CEDA) proposing that governments adopt a rigorous template for sound public policy making (Wiltshire 2012). Such a framework would help develop a public business case for each government policy initiative, using Wiltshire's 10 criteria.

**Figure 2: 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'.
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, 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.
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.

These criteria underline the need to see policymaking in the context of consulting multiple stakeholders and constituencies, not just doing analysis within the confines of a bureaucracy. Hence they call for policymaking capability, not only in the development and application of relevant and applicable knowledge, but also in writing, communication, consultation, negotiation and deal making.

There are many situations where policies have come into existence in this way. An exemplar is the *Caring for our Country Business Plan 2012-2013* (Australia. Minister for Sustainability Environment Water Population and Communities 2011). However, some policy initiatives that have met only some of the criteria, have failed in implementation due to a shortfall in one or more of the elements.

Gary Banks, the Chairman of the Australian Productivity Commission in a paper on the challenges of evidence-based policymaking (Banks 2009a) set out the characteristics of a good methodology for making policy:

How one measures the impacts of different policies depends on the topic and the task – and whether it's an ex-ante or ex-post assessment. There is a range of methodologies available. There is also active debate about their relative merits. Nevertheless, all good methodologies have a number of features in common:

- they test a theory or proposition as to why policy action will be effective – ultimately promoting community wellbeing – with the theory also revealing what impacts of the policy should be observed if it is to succeed
- They have a serious treatment of the ‘counterfactual’; namely, what would happen in the absence of any action?
- They involve, wherever possible, quantification of impacts (including estimates of how effects vary for different policy ‘doses’ and for different groups)
- They look at both direct and indirect effects (often it’s the indirect effects that can be most important)
- They set out the uncertainties and control for other influences that may impact on observed outcomes
- They are designed to avoid errors that could occur through self-selection or other sources of bias
- They provide for sensitivity tests, and
- Importantly, they have the ability to be tested and, ideally, replicated by third parties.

These observations move attention from ‘evidence-based policy making’ to a broader methodological framework in which evidence is an important component. The existence of evidence relating to the causes of a problem is an important basis for policy action, but it does not constitute the whole story. Moreover, responses to evidence must also be deemed to be desirable, practical, and feasible. Responses, wherever possible, should go further than ‘assisting’, or ‘supporting’, or similar open ended commitments.

The language of the business case draws attention from the outset to what is to be done and achieved. It forces consideration of questions such as ‘what will be the impact?’ and ‘is it really going to make a difference?’ – and more generally, ‘do the arguments really stack up?’ The language shifts attention from amelioration and improvement to results. The assembly of evidence, consultation, analysis, and communication to support the decision process can be similarly targeted.

It is a language that public servants are not always familiar with. But better policy making will require the development of capabilities in business case preparation. This is the essence of the Wiltshire approach.

## 4 Gap analysis

The following analysis includes the business criteria framework tested against policies that show signs of having been ‘developed on the run’ versus policies that show signs of having been developed with a commitment of time, evidence, and resources.

### 4.1 Policies developed on the run

In Section 2.1 a number of policies were identified by Howard Partners as showing evidence of having been ‘developed on the run’. Figure 2 provides Howards Partners’ summary assessment of the policies against the business case criteria identified in Section 3.3. Cells are only marked where it is apparent that the criterion of a business case has been well developed. As recent inquiries



and reviews have found<sup>9</sup>, several policies carried significant failings in policy design.

These assessments have not been discussed with relevant program managers. Members of IPAA's Submission Committee could not unanimously agree on Howard Partners' assessment of these policies against the Wiltshire 'business case' criteria. That is partly because the formulation of many of these policies was not open to public view.

**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. See Attachment 2.

This indicative assessment by Howard Partners suggests that:

- The policies referred to generally do not respond well to public interest criteria (such as 'the greatest good for the greatest number of people' or 'helping those who can't help themselves')
- Only some were a response to a demonstrable, evidence-based need<sup>10</sup>, involved considered alternatives, or had a policy design framework prior to implementation.
- The policies are strong on communication – getting a 'good story' out.
- Very little attention appears to have been given to other elements of the business case. This creates gaps in the business case parameters.

The extent to which these policies would have been successfully implemented if a robust business case had been prepared is uncertain. But it is possible that with clear knowledge of what a policy had been set up to do and achieve and how it would be planned, organised and delivered, positive outcomes could have

<sup>9</sup> Reviews by Orgill (Building the Education Revolution), Hawke, and Faulkner, as well as by the ANAO.

<sup>10</sup> Both the BER and the Home Insulation Scheme had objectives of stimulating employment and the construction industry to stave off recession.

been delivered efficiently and effectively. There would, of course, be situations where the business case did not 'stack up' and a policy would not proceed<sup>11</sup>.

In the case of the National Broadband Network the need and public interest parameters for a national broadband network are strong though the form it should have taken (a uniform fibre-optic network to every premises or a hybrid of interconnecting networks of fibre-optic cables, wireless transmitters and copper wires) is hotly debated. The policy did not involve comparing policy alternatives, independent and transparent socio-economic cost/benefit analysis, extended consultation, or production of Green and White papers.

A financial analysis was produced relating to construction costs and likely commercial returns based on untested assumptions, but this fell well short of the 'business case' approach advocated in this discussion paper. This is not to say the NBN won't be a success, but its chances of being so were significantly lessened by not adhering to an evidence and consultation-based approach.

For a number of policies (e.g. home insulation) subsequent outcome reviews found that lack of good design and project management contributed significantly to their failure. This arose because of the need to cut corners to stimulate employment and building activity as an economic stimulus initiative. But it was not only just cutting corners in design that contributed to their undoing, it was also poor implementation. Just as good architecture needs good construction to realise its vision, good policy making requires good execution to achieve its objectives. Policies reflecting the use of information, knowledge, and evidence including client input are discussed below.

Most policies were implemented on a *design and deliver* basis without a full appreciation of the ramifications and requirements of such an approach. This is also discussed below.

## 4.2 Policies developed on a business case basis

The business case criteria were assessed by Howard Partners against a number of policies that clearly reflect the application and use of information, knowledge, and evidence. These policies have been, or are in the process of being implemented, often with a great deal of conjecture. They are:

- 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*

With the time and resources available it was not possible to discuss the assessments with the relevant Departments, Agencies and Ministers. Also it is unlikely they would have disclosed their internal documents and deliberations to

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<sup>11</sup> The business case for the Darwin-Alice Springs Railway was never made, notwithstanding numerous studies. The political 'nation-building' decision was made in the knowledge of this shortcoming.

an outside party. As with Figure 2, Figure 3 comprises judgements by Howard Partners based on a desktop review of the known circumstances concerning the framing of each of the policies covered.

**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. See Attachment 2

The findings point to a 'business case' approach having been applied to greater or less degrees, although the rigour involved varies from policy to policy.

Several policies, including Transforming Australia's Higher Education System, Caring for our Country and the National Disability Strategy are generally considered to have been successful in implementation to this point. They did not meet all criteria, such as implementation choices (fully deregulating universities, for example) or cost benefit analysis. Adverse consequences of these omissions may take time to show up.

With any good practice (e.g. aircraft maintenance) skipping one or more essential steps might not result in catastrophe, but it increases the probability of an accident. Likewise, overlooking some aspects of the 'business case' approach leaves a policy decision more open to failure.

Indeed Figure 3 would suggest that policies are more successful when they meet a greater number of business case criteria. This provides a basis for thinking about the difficulties in implementation and adoption in several key policy areas:

- Resources Super Profits Tax: when initiated, policymaking did not make a strong needs-based case and implementation choice. The Henry Tax Review did spell out quite clearly the need to address the declining tax take from mining company profits and did canvass at some length alternative designs of the tax. And while the intellectual and evidence base was strong, the proposed tax formula was too complex for even experts to fathom with the effect that the communications strategy abysmally failed, putting the initiative in jeopardy.

- Emissions Trading/Carbon Tax: The policy need for addressing climate change was well made, but the government's decision to delay the implementation of a fully-fledged ETS in favour of a scheme with an initial fixed price period which operates like a tax proved contentious because the Prime Minister had excluded such a possibility during the 2010 election campaign. Once the government had opted for a carbon tax, policy papers were prepared and discussed extensively with industry and other groups.

A significant problem remained with communication (especially advocacy) of the business case because the department rightly saw this as the government's role yet the Minister for Climate Change and Energy Efficiency did not have a dedicated website let alone other vehicles (beside media releases and personal interviews) for performing this task.

- Regional Development Australia: a policy that 'evolved' in discussion with States and Territories and reflecting the Labor Party's long standing interest in regional policy. It only meets a small number of the business case criteria. It has strength in policy design, consultation and communication and has a credible and transparent framework for making grants to regional communities. The program could be criticised on the grounds that funds flow to the better written applications and not necessarily to the better projects.

The policy has attracted some controversy when successful applications were announced, and it is now the subject of an Auditor General's investigation following claims of favouritism and political preference.

Difficulties in implementation and adoption include the absence of discussion documents (Green Papers) and comprehensive policy documents (White papers) which inform and engage with constituencies. The absence of an effective communications strategy is a major shortcoming in many business cases.

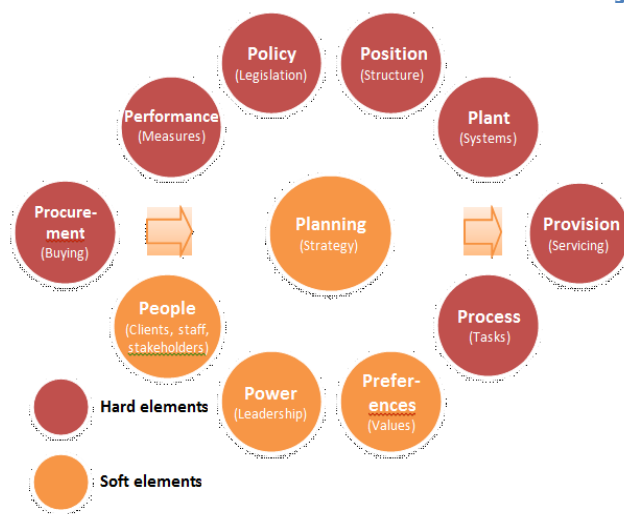
### 4.3 Implications

The assessment of the 18 high profile policies – selected randomly across portfolios and functional areas - against Wiltshire's 'business case' criteria, and the success (or failure) of policies in implementation, points to the need for policies to be subject to, and validated by, a more systematic, open and rigorous process of debate, engagement, research, design and testing. This is what we mean by a 'business case' approach to making policy; identifying the alternative policy options, weighing up the pros and cons of each option (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 promulgate by regulation.

These considerations apply to policies relating to the development and implementation of *programs* as well as specific *projects*. Many of the policies assessed for this Paper relate to specific projects, reflecting a trend in public policy to one-off, specific initiatives. Projects might fall under the rubric of a national program, such as 'Nation Building', which provides a funding channel for projects.

The assessments point to a need to give serious attention to the execution of programs and projects which requires organisations that excel in both the ‘soft’ and ‘hard’ elements of their makeup (see below).

**Figure 5: The Hard and Soft Elements of Policy Delivery**



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Many of the policies that were ‘developed on the run’, such as Building the Education Revolution, NBN, Home Insulation and Set Top Boxes for Pensioners did not adequately address the raft of complex and interrelated issues associated with producing a product or service from procurement to provision. Program and project management became particularly difficult where the Commonwealth was the funder, the state was the provider and a private entity was the deliverer (e.g. Building the Education Revolution).

Research shows that public policies are often developed without serious thought being given to delivery.<sup>12</sup> Front line public service managers complain of superficial consultation late in the process when there is insufficient time to seek the advice of staff who will be charged with implementation. As a result, policies are sometimes far too detailed or at other times not detailed enough. If changes are piecemeal, front line staff find it difficult to access the policies that apply to the situation in hand; or if comprehensive in scope, they sometimes reflect an abstract ideal that only vaguely resembles the way in which street-level bureaucrats encounter the problem at hand. While examples of good practice are beginning to emerge, all too often, policymakers leave out a crucial component in policy development – service design.

Policymaking is a capability, acquired through learning and experience, not just a competency developed through training. Following from the themes developed in *Ahead of the Game* there is a need for investment in building this capability across the APS and ensuring that such capabilities are available to Ministers in their private offices. At the same time with any endeavour it is necessary to start

<sup>12</sup> See in particular Gary L Sturgess, *On the Front Line*, Review, page 1 of the Australian Financial Review, 23rd March 2012 (Sturgess 2012) and the classic study by James Q Wilson, *Bureaucracy* (Wilson 1989), which looked at armies, prisons and schools as well as government agencies, discovering that policymakers rarely knew what cliff-face workers did.

with a good practice framework and process since changing people's behaviour takes time. Simply expecting some to intuitively embrace good policy making without guidelines and instructions would be naive.

Policymaking goes beyond an evidence-based approach advocated in the academic and official literature to the use of information and knowledge developed through research in the natural, physical and social sciences. As in the corporate sector, attention to ways in which knowledge can be transferred from creators to users is required. This also applies to the transfer of knowledge between policymakers and implementers.

Essential in this approach are arrangements for collaboration and partnership between institutions for teaching and research, and government.

A 'business case' approach acknowledges the need for good communication, but communication that is based on content developed from the business case itself. Good communication is not represented by glossy, aspirational publicity documents. It is much more than publicity and spin. It's about talking with people to understand their needs so that policy serves their ends rather than those of the producer.

Communication is also required in all elements of the 'business case' approach. This flows directly from the features of the policymaking system as inclusive, engaged and open (see Attachment 1). Policy making must make room for the involvement of a wide range of stakeholders, the adoption, application and use of knowledge developed outside the Public Service, and where appropriate, use of the tools and techniques of open innovation and crowd-sourcing.

## 5 Proposed policy or administrative changes

In this Section the concept of public policy as a *system* is developed and explored. This draws on and develops the concept of innovation systems that is adopted widely as an analytic tool in the science, technology and innovation arena. The implications for developing capabilities in a system environment are also addressed.

A feature of innovation systems is the transfer and translation of knowledge transfer between creators and users. This applies in the policymaking system where there are multiple nodes of knowledge creation and multifaceted dimensions.

### 5.1 Policymaking as a system

Policymaking occurs in a context that is data and information intensive, inclusive, democratic, engaged, and open. This system provides a vast repository of knowledge for policy, and creates challenges, as well as opportunities for policymaking.

Policy should also be informed by knowledge and understandings created through engagement with citizens which involves communication through traditional methods of consultation and the new tools of social media.

There are also emerging opportunities for approaches to policymaking that use the methods of open innovation and techniques, including crowd-sourcing (Deemertzis 2009). Many of these approaches are in the early stages of development within the public policy space though the open innovation movement is well advanced in parts of the business world. It is likely to have a huge impact on the public sector when it takes off.

The features of this emerging policymaking system are discussed in Attachment 1.

The evidence-based approach must be seen in a broader context of policy making which is inclusive, engaged and open. In this contemporary environment policymaking should be seen as a networked fact gathering and brainstorming exercise rather than a discrete research and analytical cloister within a bureaucracy.

The public policy system covers the relationships and flows of policy relevant knowledge and information among people, organisations and institutions that have policymaking roles and responsibilities.

Public policy is the outcome of a complex set of interactions among actors in the system. These include Ministers, Government departments and agencies, businesses and business organisations, charities and foundations, universities and research institutes, NGOs, consultants and individual citizens.

For policy-makers, an understanding of the policy system can help identify leverage points for enhancing innovative performance and overall effectiveness. It can assist in pinpointing mismatches within the system, both among

institutions and in relation to government policies, which can thwart policymaking and innovation.

Strategies that seek to improve networking among the actors and institutions in the system and which aim at enhancing the innovative capacity of agencies, particularly their ability to identify and absorb information and knowledge, are most valuable in this context.

The Management Advisory Committee (MAC) in its report *Empowering Change* noted that the innovation process is changing as new technologies emerge which opens up possibilities for innovative solutions and changing the nature of interactions with stakeholders.

The MAC reported that new tools and platforms open up new capabilities and possibilities, and the public sector should be alert to technological developments and their potential uses (Australia. Management Advisory Committee 2010). This issue is canvassed in Attachment 1.

## 5.2 Collaboration and knowledge transfer

The renewed interest in evidence-based policy is very much premised on a partnership between evidence providers and evidence users (Rawson 2006). There has been a substantial growth in the number of evidence providers, or suppliers, across several broad areas:

- Academic institutions: Governments either directly or through the Australian Research Council, fund universities to establish research centres to create new knowledge for policy, particularly in the social policy area. Universities are seen as a source of expertise and objectivity to produce evidence for policy. Prime examples are the Australian and New Zealand School of Government (ANZSOG) and the Graduate School of Government (GSoG) at the University of Sydney.
- Foundations and NGOs: Organisations that operate in the interest of economic, environmental, and social betterment or specifically to bring a considered, evidential approach to a special concern. Examples of foundations include the Lowy Institute, the Australia Institute, Grattan Institute and the Committee for Economic Development of Australia (CEDA). NGOs operate principally in the social and environment arena and include organisations such as the Australian Council of Social Service (ACOSS), and a number of environmental groups.
- National industry bodies and professional associations: These organisations now cover most areas of economic and industry activity, and have developed capacity to provide 'evidence' as an element in their lobbying and advocacy activities. Many policymakers and senior advisers leave Government employment to work for national associations.
- The private sector: Economists, consultants, accountants and lawyers who have knowledge, skills expertise on public policy issues. Many of these organisations are staffed by former public servants. These range from the McKinsey quarterly magazine to local bank sponsored economic research newsletters as well as IPAA's own *Public Administration Today* magazine



and the *Australian Journal of Public Administration* (AJPA) which between them publish over 100 research, opinion and review articles each year.

These provider groups are in addition to in-house capability provided by policy and research divisions, institutes, bureaus and units operating within the machinery of Government. These units undertake policy relevant research directly as well as commission researchers in universities, foundations or the private sector. Taken together this capability creates a highly contested policy market (Briggs 2006). They are also part of a broader policy making system.

The expected greater role of academic institutions in providing evidence for policy parallels the interest of government and business in university discoveries and inventions providing the base for new products, processes, services and improved performance. There is a very long history of reviews and inquiries that aim to improve university-business-government collaboration, the most recent being a report for the UK Department of Business, Innovation and Skills (Wilson 2012).

The pathways for transfer and translation of knowledge generated in research organisations into practical application and use are complex and involve overcoming significant barriers (Shergold 2011; Edwards 2011; Howard 2004; Howard Partners 2001b, 2001a; Howard 2011). These barriers reflect fundamental differences in mission, cultures, ways of working, and measures of performance.

There are, nonetheless, many examples of successful collaborations in both the natural sciences and the social sciences. These occur through Cooperative Research Centres<sup>13</sup>, Australian Research Council Linkage Grants and Departmental Research programs. The Australian and New Zealand School of Government (ANZSOG) is a collaboration between the Commonwealth and State/Territory Public Services and nine universities, and the National ICT Centre of Excellence has Government, Business and University collaborators.

There are also many Centres for teaching and research established at universities with University, Business and Government backing with a specific brief to create knowledge for policy.

Collaboration and knowledge transfer is enhanced through adjunct, visiting and honorary appointments, work integrated learning (internships), communities of practice, knowledge networks, and public service participation at academic conferences and events. These interactions are supported by the creation of knowledge exchanges and appointment of knowledge brokers and intermediaries (Howard Partners 2007; Howells 2006; Edwards and Evans 2011; Evans 2010).

It is also worth noting that the Australian Public Service recruits and promotes people who are expected to be abreast of scientific and technical knowledge. PhD and other postgraduates, once seen only in the Treasury are now found across the Australian Public Service in a range of policy roles<sup>14</sup>. Recruitment of knowledgeable graduates is seen as one of the most effective forms of

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<sup>13</sup> Many of the Cooperative Research Centres involve Government departments and agencies as participating members. CRCs in the Environment and Primary Industries domain have had a significant involvement of Commonwealth and State agencies.

<sup>14</sup> There is no reliable data concerning the numbers of graduates and post graduates employed in the Commonwealth public service.

knowledge transfer from academic institutions to industry (Howard Partners 2005).

Having said this, we should not overlook the opportunities for accessing information from front-line staff, clients, interest groups, private consultancies, blogs, investigative journalists, social media and opinion pollsters, etc. Knowledge creation by these sources is increasing faster than that from traditional academic and research institutes. The advent of the internet democratised information, making it accessible by anyone with a computer linked to the world-wide web. The 'evidence' field is crowding beyond the traditional participants.

There is a need to move from an all-inclusive 'evidence-base' way of thinking to a broader framework that encourages and supports the application and use of *knowledge* (broadly defined) in policy making through collaboration and partnership.

### 5.3 Developing capabilities

It has been mentioned in earlier parts of this Paper that policymaking requires capabilities. These relate to capacities to think, absorb and synthesise information, apply knowledge, reach decisions and communicate effectively. Policy makers will be expected to have a capacity to engage effectively, and directly, with citizens. These capabilities are required to develop and communicate a sound business case for policy action.

To the extent that policy will continue to be developed and implemented on a 'design and deliver' approach, there is a need to enhance skills, knowledge and experience in the development of 'business cases' that involve delivery under this sort of arrangement. It is a capability that reflects a deep understanding of the requirements of *project* management as well as the more traditional skills of *program* management.

Building a link between policymaking and the requirements of efficient and effective program and project management is an important capability for policy makers. These capabilities relate to communication, consultation, engagement, and negotiation with project delivery agents – be they within the same department, other departments, other tiers of government, NGOs or private contractors. When external contracting is involved, understanding risk sharing and due diligence is also a capability.

In the emerging policymaking system policy makers should have knowledge about how to manage community consultation and engagement, negotiate with stakeholders and constituencies, and reach consensus and compromise. In the contemporary policy environment they need to understand opportunities provided by 'big data' and open access to information and knowledge and open innovation using the 'wisdom of the crowd'.

It is likely that these capabilities will be acquired through experience as well as through education in collaborative arrangements between universities and other knowledge creators, and Government Departments and agencies. These

relationships must move from a transactional basis (buying and selling knowledge) to one built around shared understandings, partnership and trust (Howard 2011).

## 5.4 System stewardship

Within the emerging system policymakers will become stewards as well as initiators and owners. In the UK Government Institute Paper, *Making Policy Better* (Hallsworth and Rutter 2011), it was observed that policy makers should see their role as one of 'system stewardship', rather than delivering outcomes through top down control. That is:

- Whitehall policy makers need to reconceive their role increasingly as creating the conditions for others to deal with policy problems using innovative and adaptive approaches
- Incentives need to reward those who energetically search out experience and ideas, network, facilitate and understand the systems within which they operate.

Rather than seeing policymaking as entirely separate and distinct activities, policy makers would acknowledge that the nature and outcomes of a policy are often adapted as it is realised in practice. System stewardship would involve policy makers overseeing the ways in which the policy is being adapted.

While the *changes in behaviour and professional practice* implicit in the UK Government Institute are highly admirable, it should also be recognised that achieving this will be extremely difficult from a cultural and individual perspective. Often people inside traditional public policy 'cathedrals' don't see their work, skills and personal or professional identity in terms of the Institute's exhortations.

As in other large organisations, including corporations, the kind of open and stewardship models that are advocated in this Paper are personally and professionally very confronting for many public servants. We need to acknowledge that and recognise the considerable effort that will have to be invested in making that transition. One reason we have emphasised good policy making frameworks and processes such as the Wiltshire 'business case' criteria is that changing guidelines, processes and practices is usually easier than changing human nature.

Also there are many examples of good people who have performed poorly because of inadequate training and bad procedures. Likewise there are examples of people with negative and destructive attitudes who blossom after being introduced to robust *modus operandi*. Simply appealing to people to change their behaviours before changing the way things should be done is a big call that is likely to fail.

## 5.5 Professionalism

A 'business case' approach provides the foundation for the delivery of 'frank and fearless' advice to Ministers and Government. Policy advice and implementation based on evidence, analysis, knowledge and experience are the foundations of a

professional public service. These capabilities should not be overshadowed by the 'spin-doctoring' and the 'quick fix' offered by communications and public relations advisers who occupy prominent positions in Ministerial offices.

Policies premised on achieving popularity or countering bad news can fail dismally to achieve results. The attention given to policy failure far exceeds the attention given to policy promises. A professional public service is there to assist Ministers achieve policy outcomes that respond to demonstrated need and deliver broad based public benefits.

There is a need to manage the cultural divide that has emerged between the professional public service and Ministerial offices. Public servants should be encouraged and rewarded for the introduction of innovative practices, while Ministerial staff should appreciate that scepticism does not always amount to resistance.

That is not to say that policy makers must not work to a strict, but reasonable deadline and give prompt advice when needed. That's the nature of a modern world where events move more quickly than ever before.

Policymaking that is grounded on evidence, knowledge and consultation while being capable of responding swiftly to pressing issues will go a long way to bridging the gap between ministers and mandarins.

## 5.6 Education, training and accreditation

A core function of IPAA at Divisional levels is professional training and development in public administration. There is already an extensive program of *capability* development for policymaking (often in collaboration with Government agencies and university institutions such as ANZSOG) in each state and territory.

As argued earlier in the Paper, capability development is much more than the development of competency through in-house or external training and staff development, though it needs to start there. Ultimately capability only comes about through personal application of good practice frameworks and processes to actual situations. That requires opportunities to exercise responsibility, make mistakes and correct them. With time 'practice makes perfect', though in policy there are too many imponderables to achieve perfect navigation.

There is also an opportunity to work with professional associations in accounting (CPA Australia, ICAA, IPA), management (AIM), computing (ACS), engineering (IPWEA, Engineers Australia), economics (ESA), architecture (Institute of Architects), public relations (Public Relations Institute of Australia) and other disciplines to develop capabilities in policy making. These associations have many members across Government.

## 6 Conclusion

In a political environment it is difficult to achieve the ideal approach to policymaking. There are numerous constituencies and stakeholders that seek to influence the direction of public policy and to change its course. Moreover, constituencies and stakeholders are becoming more sophisticated in their approaches to representation and advocacy. Social media enables policy positions to be questioned, criticised and even sabotaged from a negative standpoint or tested, improved and engaged from a positive one.

There is little doubt that there is a strong expectation that policymaking should reflect a greater application of knowledge. But the application of knowledge should move beyond the relatively narrow focus of 'evidence-based policy' to a framework of 'business case' validation. Business cases should be informed by knowledge – knowledge developed through research and analysis as well as knowledge gained through consultation and engagement with constituencies and citizens.

Howard Partners' case studies benchmarked recent Federal government policies against a set of 10 criteria for good policy making established by Professor Ken Wiltshire. These criteria constitute a 'business case' approach to an evidence and consultative approach to policy development. By 'business case' we don't mean a commercial slant, but a comprehensive approach to capturing hard data on social, environmental and economic realities and soft data on client perceptions and aspirations so that a persuasive case can be made for policy change in the public interest.

Too often politicians make 'policy on the run' in response to public anger or frustration. In other cases they undertake 'policy by fiat' thinking that a surprise decree will make them look decisive. Unfortunately not being evidence or consultation based, such 'policy clashes' often end up as expensive failures that generate public wrath, not gratitude.

This Paper has found that too many recent Federal policies do not adequately meet the tests of a good 'business case'. We suspect from anecdotal evidence and our own impressions that the same holds true for longer standing federal policies as well as state and territory policies, though we did not examine these.

We believe that a 'business case' approach to making policy is superior in terms of both public benefit and political payback to a 'policy on the run' or 'policy by fiat' which too often typify public decision making. Indeed we believe that the lack of confidence in government at all levels can be largely traced to policy making not keeping up with voters expectations of being presented a 'business case' for change and having that debated frankly and openly before policy is decided.

Formalising such an approach using the Wiltshire criteria would be a first step to rejuvenating confidence in public governance in Australia. Good public policy requires capacity building at both bureaucratic and political levels, but this will take time. Agreeing on the rules of policy development and engagement would at least chart a clear path of where to start.

Four key recommendations flow from this Paper:

- All Governments formally commit to applying a Wiltshire style 'business case' framework to policymaking.
- All elements and phases of public policy making 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.

## Attachments

The following attachments were prepared by Howard Partners without input from IPAA's National Submissions Committee.

### Attachment 1: Contemporary influences in public policymaking – a discussion

Public policy is developed in an increasingly complex environment, with many influences, drivers and enablers. It is seen as an integrative rather than linear undertaking, sometimes requiring a capacity to simultaneously hold opposing or divergent views about a policy problem or issue (Martin 2007). This is associated with the emergence of design thinking in policy (Brown 2009; Martin 2009).

A number of the key influences on contemporary policymaking are outlined below.

#### Availability and access to information

It is well established that high quality policymaking depends on high quality judgements, which in turn rely heavily on good information. Decisions in economic policy, tax policy and income security policy, for example, are made on the basis of sophisticated modelling using a broad range of transactional data collected through the Australian Bureau of Statistics and the Governments own regulatory, payments and revenue systems.

The 'open government declaration' which the Government made in the wake of the report from its Government 2.0 Taskforce commits to make data easily available, accessible and re-usable for citizens and business in many different ways, including social media. This reflects trends in technology, media and public opinion that have made it both possible and necessary for Governments to reconsider what and how information is made freely available to the public. Through these processes citizens become more informed about what is happening in Government.

At the same time, Government has access to an ever-increasing range of data and information. The internet and on-line libraries have expanded exponentially the base on which Governments can think about policy issues.

There has been a growing interest in the role of 'big data' in policy development. McKinsey refers to big data as datasets whose size is beyond the ability of typical database software tools to capture, store, manage and analyse. The firm suggests that big data can play a significant economic role including enhancing the productivity of the public sector (Manyika et al. 2011).

McKinsey identifies a number of ways big data can be used to enhance accountability, identify needs, customised actions, supplement human decision making, and drive innovation in business models, products and services. The firm suggests that big data innovation can be used in experiments in public policy and programs to improve performance. To capture the potential of big data applications decisions need to be made about new technology, recruitment and training.

## Inclusivity

In May 2011, the Secretary of the Department of Prime Minister and Cabinet (Terry Moran) commented that the advice that secretaries provide to Government 'should be firmly grounded in a view of policy and service delivery that has the experience of citizens as its central focus' (Moran 2011). This can be taken to mean regular consultation with key stakeholders and constituencies.

For many years Governments have used the instrument of inquiries, reviews and task forces to include citizens in policy processes. Some of these are permanent, established for the purpose of regular consultation, whilst others are ad-hoc or one-off, designed to address a specific policy issue. Many service delivery agencies like to establish a process for regular contact with their key stakeholders and constituencies.

Ministers and their advisers provide regular access to industry and professional organisations, such as the Business Council of Australia, the Australian Chamber of Commerce and Industry, mining, food and farmers organisations, and peak education, health and welfare organisations. Some policy areas are less well organised, such as the Arts, and arguably suffer in the policy development process. Similar patterns occur at the State-Territory level.

Increasingly policy makers and advisers seek to consult with constituencies in relation to policy options and execution strategies. This can assist in validating policy positions and confirming a preferred course of action. The basis of consultation often starts with the preparation and dissemination of position papers, issues papers or exposure drafts. Written comments are invited, followed by formal and informal meetings and discussions. Public inquiries have adopted this approach, as has the Productivity Commission.

The approach also presents major challenges, particularly in a perception that Government is actually marketing a solution or simply telling constituencies of an outcome that has already been decided. This was a major problem in the Murray-Darling water buy-back policy (Botterill, Evans, and Pratchett 2011).

Public consultation is not necessarily the same as engagement.

## Engagement

Terry Moran observed that the bedrock of government engagement with citizens is through the 'institutions of representative democracy', but went on to say that 'Governments will achieve their goals better if they also use other ways to engage with citizens and reinforce our fundamental democratic institutions'.

The Management Advisory Committee Report, *Empowering Change* noted that technology is shaping interactions with business and government and increasing public expectations of engagement and service delivery. The Report recommended that to realise these expectations and capture the value of engagement, agencies should be timely and smart adopters of Web 2.0 tools and Ideas Management Systems (Australia. Management Advisory Committee 2010).

Social media has provided a broader constituency with access to government decision-making and policy development. It has enabled a shift in a one-



dimensional process of consultation to a multi-dimensional process of engagement.

Engagement is an element of the citizen's democracy movement under which citizens seeks to have a more active role in policy directions and decision-making. Social media platforms have enabled these developments and are attracting a great deal of attention in popular literature and commentary.

A situation is emerging where constituencies are not simply saying that 'government should do something' and work out a solution to a situation where 'we have got the solution and we want government to implement it'. In this process advocates increasingly provide their own 'evidence' to support their position. The quality and veracity of the evidence can be open to question.

## Openness

There is a view that as industrial innovation processes become more open so too should public policy.

The open innovation approach has been popularised through the work of Henry Chesbrough in a series of publications over the last 10 years covering the manufacturing, services and public sectors (Chesbrough 2003, 2006, 2011; Chesbrough and VanHaverbeke 2011). The essence of the argument is that rather than relying on internal ideas to advance business mission, leaders should leverage internal *and* external sources of ideas. Organisations take proactive approaches to sourcing ideas from suppliers through partnerships and collaborations, from customers through feedback and suggestions, and from the community of inventors and innovators.

The internet and social media are proving to be important enablers in sourcing knowledge and ideas externally through peer production processes. James Surowiecki, in *The Wisdom of Crowds*, suggests that under the right circumstances, groups are remarkably intelligent and are often smarter than the smartest people in them. Even if most people within a group are not particularly clever, well informed or rational, it can still reach a collectively wise decision (Surowiecki 2004).

Surowiecki's work follows that of Eric Raymond who wrote about the development of the Linux operating system through an open source approach (Raymond 2001). Raymond claimed that the internet brought a peer production model, a 'bazaar', up to the doors of every business in the world. Connected to the global masses through the internet, companies no longer had to pursue innovation in splendid isolation. They had the option of replacing the traditional, closed 'cathedral' model with the new, open model.

Raymond's important conclusion is that, in conditions of turbulence and 'need for speed', open, connected and 'bazaar' methods are more efficient and productive than the relatively closed, centralised and elite methods of the traditional 'cathedral' type institutions.

Crowdsourcing experiments are being conducted across government, particularly in the State and local spheres. It is supported by a number of websites, including Expert Labs (<http://expertlabs.org/>).

But while the open source model has proven to be an extraordinarily powerful way to refine programs that already exist (Linux, for instance), it has proven less successful at creating new programs from scratch. That fact has led some to conclude that peer production is best viewed as a means for refining the old rather than inventing the new; that it's an optimization model more than an invention model (Carr 2007).

In public policy contexts it has been observed that peer production and crowdsourcing can be 'gamed' or captured by people with narrow sectional interests and values.

*So let's not get cyber-utopian about crowd-sourced policies: they haven't happened yet, they're unlikely to happen in the future, and insofar as they do happen, the crowds in question will not be virtual crowds on a White House website, but rather real crowds at places like Tea Party rallies or Occupy Wall Street. The internet is a good way of organizing people to turn up in person. It is not in any way an alternative to doing so, at least if you want to change government policy<sup>15</sup>.*

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<sup>15</sup> <http://blogs.reuters.com/felix-salmon/2011/11/10/america-isnt-crowdsourcing-its-policies/>

## Attachment 2: Policy profiles

*These profiles are based on information collected through documentary secondary sources. With the time and resources available they have not been validated with Ministers or program managers in the relevant departments and agencies. Also the documents and deliberations involved in crafting these policies are largely privy to those involved.*

### 1 The Alcopops Tax

In April 2008 the Australian Government increased the tax on 'ready-to-drink' or 'pre-mixed' drinks by 69 per cent, which raised the price of an average bottle or can by about \$1.00.

Alcopops are of concern to policymakers because they mask the flavour of alcohol by adding fruit juice, carbonated water or milk to mimic the taste of soft drinks. Allegedly, their taste makes them attractive to young people who are otherwise deterred by the usual bitter or acerbic taste of alcohol. Some of the revenue raised from the tax was to be used to fund preventive health programs.

The Alcopops legislation was defeated in a re-vote in the Senate on 18 March 2009. The legislation was initially passed the previous day after a Coalition senator missed the key vote.

The evidence base for the introduction and impact of the tax is inconclusive. For example, Australian Bureau of Statistics (ABS) data showed a big drop in the apparent consumption of Alcopops between April 2008 and March 2009, but little change to alcohol consumption overall<sup>16</sup>.

**Figure 6: The Alcopops Tax**

	Criterion	Comment
1	Demonstrable, evidence-based need	Uncertain. No agreement whether the tax would change behaviours
2	Public interest parameters	Yes
3	Consideration of alternatives	No
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, but legislation defeated in Senate
10	Communication	No

### 2 Building the Education Revolution

As part of the response to the Global financial crisis the Australian Government introduced a series of economic stimulus measures in late 2008 and early 2009.

<sup>16</sup> See [www.abs.gov.au/ausstats/abs@.nsf/mf/4307.0.55.001](http://www.abs.gov.au/ausstats/abs@.nsf/mf/4307.0.55.001)

The largest was the \$42.1 billion Nation Building and Jobs Plan, announced on 3 February 2009.

The largest component of the Plan was the delivery of school infrastructure under the Building the Education Revolution (BER) program. Spending on school-based infrastructure was seen to have a number of elements that supported stimulus objectives, including:

- Providing stimulus to almost every population area in the country.
- School land being available immediately avoiding planning delays.
- School infrastructure projects have low import content<sup>17</sup>.

Implementing the program involved working through State and Territory education departments and 'Block Grant Authorities' to achieve program outputs and outcomes. It was delivered under a new federal financial relations framework, the *National Partnership Agreement (NPA) on the Nation Building and Jobs Plan: Building Prosperity and Supporting Jobs Now*.

The devolved delivery of the program by Education Authorities was governed by bilateral agreements with State and Territory Governments and funding agreements with non-government Education Authorities. These documents were drafted by DEEWR and are supported by BER Program Guidelines, with implementation plans submitted by Education Authorities to outline their delivery approaches<sup>18</sup>.

Following an audit of the program, the Australian National Audit Office (ANAO) found<sup>19</sup>:

- The establishment of the BER program, in the context of the financial crisis and need for a prompt government response, meant that implementation issues were more likely to arise due to the limited time available for policy development and program planning.
- Administrative decisions taken by DEEWR in establishing the BER program ... have unduly constrained the flexibility of authorities to determine how the program will be delivered within their jurisdictions to achieve the intended objectives and increased the administrative effort necessary to deliver the program.

A recent article published in the *Australian Journal of Public Administration* (Althaus 2012) noted that:

*'[t]he APS continues to battle against a lack of street level knowledge to help structure delivery, including effective feedback and sense making mechanisms. APS capacity to deliver Commonwealth policy intent reliant in inter-jurisdictional delivery remains a dilemma for advisory capacity and confounds the interventionist ambitions of Commonwealth ministers and exposes them to serious criticism about their administrative competence.*

This assessment is against the background of criticisms made by former investment banker Brad Orgill who headed a Taskforce on the administration of

<sup>17</sup> Sourced from <http://anao.gov.au/Publications/Audit-Reports/2009-2010/Building-the-Education-Revolution---Primary-Schools-for-the-21st-Century/Audit-brochure#Introduction>

<sup>18</sup> *ibid*

<sup>19</sup> *ibid*

the program. In his letter of transmittal of the 450 page final report, Mr Orgill noted that 'There are a number of areas of government responsibility that require attention to enhance future infrastructure program outcomes. These include public works capacity, quality assurance of building standards and private certification' (Building the Education Revolution Implementation Taskforce (Brad Orgill Chair) 2010).

According to an assessment by an Associate Professor of Architecture and an accredited project manager, the BER program involved reconciling two very different objectives: one of providing immediate stimulus to the economy; and renewing education infrastructure in a long term sense. It came at a time when schools were re-thinking their teaching and learning strategies, and there are indications that BER has produced one of the largest step changes in school environments and has had an impact on every community across Australia and that BER will be remembered as an important transformative moment in Australian Education, but more so in some States than in others (Newton and Gan 2012).

**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

### 3 Darwin to Alice Springs Railway

After 150 years of advocacy by the South Australian and Northern Territory Governments, the first train ran on the Darwin to Alice Springs railway in January 2004. The Prime Minister (John Howard), South Australian Premier John Olsen and Northern Territory Chief Minister Denis Burke turned the first sod for the project at a ceremony in Alice Springs. This followed a decision to proceed with the railway construction despite the absence of economic evidence that would justify the construction. The total cost was \$1.2 billion.

The project was justified on 'nation building' grounds:

*The Prime Minister has rejected the 'nostrums' of 'pure economic rationalism' in assessing the project and has defended it on the grounds of nation-building. This is politically expedient because no respectable cost-benefit appraisal has ever been able to justify the project on public interest grounds. It also explains the large government grant element which is designed to make it commercially attractive to a private consortium. No economic justification for the project is possible because*

*there is simply no prospect that there will ever be sufficient demand for rail services along the route (Jim Hoggett 2000).*

There is little possibility that there will ever be a return on investment.

**Figure 8: Darwin to Alice Springs Railway**

	Criterion	Comment
1	Demonstrable, evidence-based need	Need canvassed through strong lobbying
2	Public interest parameters	No – ‘little evidence of greatest benefit for the greatest good’
3	Consideration of alternatives	No
4	Implementation choices	No
5	Cost-benefit analysis	Yes – and failed to support the project
6	Policy design framework	Yes
7	Further consultation	Unclear
8	Produce Green then White paper	Many studies prepared
9	Develop legislation	Yes
10	Communication	Strongly promoted in tourist material

#### 4 FuelWatch

The decision to introduce the national FuelWatch scheme was announced by the Prime Minister on April 15 2008. The scheme was based on a Western Australian Government scheme of the same name, that had been operating since January 2001. In making the announcement the Prime Minister cited econometric analysis undertaken by the ACCC that the WA FuelWatch scheme had reduced the relevant weekly average price margin to around 1.9 cents per litre less on average.

In a submission to the Senate Economics Committee reviewing the FuelWatch legislation, Latrobe academic Don Harding noted:

*Initially the econometric analysis was designed to reassure the ACCC that FuelWatch was not causing WA motorists to pay higher prices for petrol. Now the Government has transformed its use of the econometric analysis to support a conclusion that FuelWatch had reduced the price of petrol to WA motorists. This change in use is the first evidence that we have a case of policy-based-evidence rather than ‘evidence-based-policy’ (Harding 2008).*

In May 2008 Andrew Bolt reported in his blog that:

*A DEEP split has emerged within the Rudd Government over petrol, with Resources Minister Martin Ferguson warning its planned FuelWatch price monitoring system will fail working families, crush small businesses and tarnish Kevin Rudd’s economic reform credentials.*

*In a letter to senior colleagues obtained by The Australian yesterday, Mr Ferguson attacked the FuelWatch scheme as an anti-competitive waste of money and predicted it would leave battlers out of pocket, despite government claims it would lead to lower fuel prices.*

*If asked to choose whether Ferguson and Rudd are more substance than spin, I'd know who'd win every time. FuelWatch is a con. And it's no surprise that Rudd's first big political embarrassment in office comes over his spinning.<sup>20</sup>*

The legislation to set up the scheme was rejected by the Senate in November 2008.

An iPhone application that monitors fuel pricing will soon be available. This is a case of social media providing an alternative policy solution.

**Figure 9: FuelWatch**

	Criterion	Comment
1	Demonstrable, evidence-based need	No
2	Public interest parameters	Not established
3	Consideration of alternatives	No
4	Implementation choices	No
5	Cost-benefit analysis	Reference to econometric analysis
6	Policy design framework	No
7	Further consultation	Consultation through submissions to the Senate Committee. There was considerable opposition to the scheme from fuel retailers
8	Produce Green then White paper	No
9	Develop legislation	Yes. Legislation failed to pass the Senate
10	Communication	No

## 5 Green Car Innovation Fund

The establishment of a \$1.3 billion Green Car Innovation Fund (GCIF) was one of a number of climate change policies announced by the then Opposition as part of its 2007 Federal election campaign. The Scheme arose from the Bracks Review of the car industry and a specific brief to make recommendations for the delivery of the GCIF (Australian Government. Review of Australia's Automotive Industry 2008).

The GCIF was envisaged to operate for five years from 2011 and would kick-start the production of low-emission and fuel-efficient vehicles in Australia. Funding of \$500m was announced in the 2008–09 Budget. The 2010–11 Budget made a scale back of the GCIF by \$200 million over three years in response to lower-than-expected demand (Priestly 2010). It was dropped altogether in order to divert funding to rebuilding after the Queensland floods. Before it was abandoned, the Fund provided \$413m in grants to 17 projects.

The results of the funding, in terms of results and outcomes achieved, have not been made available.

<sup>20</sup> See [http://blogs.news.com.au/heraldsun/andrewbolt/index.php/heraldsun/comments/ferguson\\_torches\\_fuel\\_watch/](http://blogs.news.com.au/heraldsun/andrewbolt/index.php/heraldsun/comments/ferguson_torches_fuel_watch/)

**Figure 10: Green Car Innovation Fund**

	Criterion	Comment
1	Demonstrable, evidence-based need	Yes – in the context of climate change and greenhouse gas emissions
2	Public interest parameters	No
3	Consideration of alternatives	Not clear. Bracks Report removed from website
4	Implementation choices	Not clear. Bracks Report removed from website
5	Cost-benefit analysis	Not clear. Bracks Report removed from website. Many oppose financial assistance to the motor industry
6	Policy design framework	Yes. Detailed guidelines issued by Minister
7	Further consultation	Not in relation to abandoning the program
8	Produce Green then White paper	Yes; Bracks Report a Green Paper.
9	Develop legislation	Covered by the <i>Industry Research and Development Act 1986</i> and Green Car Innovation Fund Directions No 1 of 2009
10	Communication	Well publicised through AusIndustry website

## 6 Green Loans Program

In the 2007 Federal Election campaign, the Labor Party outlined a *Solar, Green Energy and Water Renovation Plan for Australian Households*. The plan was to help make existing homes greener and more energy and water-efficient. Eligible householders would be able to apply for a subsidised environmental home assessment to identify cost-effective measures to reduce household energy and water use. Low-interest loans of up to \$10,000 would be available to eligible householders to fund the purchase of items such as solar panels, rainwater tanks and energy-efficient lighting.

The 2008–09 Budget allocated \$300 million to fund the Green Loans program for an unspecified number of subsidised home assessments, free Green Renovations packs valued at \$50 to each assessed household and interest rate subsidies for up to 200,000 loans to householders. In the 2009–10 Budget, the Government cut the program by \$125.7 million by reducing the number of loan interest subsidies funded.

In September 2010 the Auditor General published a Performance Audit Report on the administration of the program. The Audit reported numerous deficiencies in program design and administration resulting largely from:

*... an absence of effective governance by DEWHA during the program's design and early implementation. DEWHA had no previous experience in designing and delivering a program with features similar to the Green Loans program. As a multi-faceted 'greenfields' program with a fixed budget and variable (and untested) demand, the Green Loans program required greater oversight than the department's business-as-usual activities. However, this did not occur<sup>21</sup>.*

<sup>21</sup> See [http://www.anao.gov.au/~media/Uploads/Documents/2010%2011\\_audit\\_report\\_no\\_9\\_.pdf](http://www.anao.gov.au/~media/Uploads/Documents/2010%2011_audit_report_no_9_.pdf)



The report's findings are consistent with other reviews on the program, including one conducted by Ms Patricia Faulkner AO<sup>22</sup>.

The administration of the program was transferred from the Department of the Environment, Water, Heritage and the Arts to the Department of Climate Change and Energy Efficiency on 26 February 2010. Following continuing problems with the program the Government took the decision to phase out the program on 8 July 2010.

**Figure 11: Green Loans Program**

	Criterion	Comment
1	Demonstrable, evidence-based need	Yes, in the context of climate change
2	Public interest parameters	Discussed but not demonstrated in terms of impact and effect
3	Consideration of alternatives	No
4	Implementation choices	No
5	Cost-benefit analysis	No
6	Policy design framework	No. A major contributor to policy failure
7	Further consultation	No
8	Produce Green then White paper	No
9	Develop legislation	Yes, in Budget context
10	Communication	Yes

## 7 Home Insulation Program

A key element of the Government's economic stimulus package was the \$3.9 billion Energy Efficient Homes Package (EEHP), announced by the then Prime Minister on 3 February 2009. According to the ANAO, Proposals for EEHP were developed with a sense of urgency by the Department of the Prime Minister and Cabinet (PM&C) with limited consultation with the Department of the Environment, Water, Heritage and the Arts (DEWHA)<sup>23</sup>.

The EEHP was designed to generate economic stimulus and support lower skilled jobs in the housing and construction industry and small businesses; and improve the energy efficiency of Australian homes. Installing insulation in existing homes was regarded as one of the most cost-effective opportunities to improve residential energy efficiency. At the time, it was estimated that only 60 per cent of Australian homes were insulated.

The EEHP was to be administered as an executive scheme and included the following components:

- Homeowner Insulation Program: incentives for homeowner-occupiers to have insulation installed (\$2.8 billion over two and a half years);
- Low Emissions Assistance Plan for Renters (LEAPR): incentives for renters in private rental accommodation and their landlords to install insulation (\$637.4 million over two and a half years); and

<sup>22</sup> See <http://www.climatechange.gov.au/~media/publications/green-loans/green-loans-faulkner-report.pdf>

<sup>23</sup> [http://www.anao.gov.au/~media/Uploads/Documents/2010%2011\\_audit\\_report\\_no\\_12.pdf](http://www.anao.gov.au/~media/Uploads/Documents/2010%2011_audit_report_no_12.pdf)

- Solar Hot Water Rebate (SHWR) Program: expansion of incentives for householders to install solar hot water heaters (\$514.4 million over three and a half years).

An Audit of the Program was undertaken by the ANAO and released in October 2010.<sup>24</sup> This followed a Senate inquiry and a Review conducted by Dr Allan Hawke (Hawke 2010). The ANAO noted that the program was developed in a very short period of time between 3 February 2009 and 30 June 2009 as a stimulus measure to respond to the global financial crisis. In terms of outcomes, it has been estimated that between 6,000 to 10,000 jobs have been created. But, ANAO added:

*While, clearly, the creation of these jobs was an important outcome in the face of the downturn in the economy, these jobs were shorter-lived than intended due to the early closure of the program. There have also been energy efficiency benefits but these are likely to be less than anticipated due to the deficiencies in a significant number of installations<sup>25</sup>.*

The ANAO also noted:

*... that by November 2009, the volume of claims and increasing number of installations identified with quality, safety and potential fraud issues, overwhelmed the department and it was unable to recover the situation. There were insufficient measures to deliver quality installations and, when the volume of issues requiring attention by the department increased, the department had neither the systems nor capacity to deal with this effectively. The lack of experience within DEWHA in project management and in implementing a program of this kind were contributing factors.*

Academics Brian Dollery and Martin Hovey from the Department of Economics at the University of New England have described the program in an article in *Economic Papers* as representing 'a 'case study' of how governments should not pursue public expenditure programs' (Dollery and Hovey 2010).

**Figure 12: Home Insulation Program**

	Criterion	Comment
1	Demonstrable, evidence-based need	Evidence not available.
2	Public interest parameters	Not clear
3	Consideration of alternatives	No
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	No
10	Communication	Yes

<sup>24</sup> See: [http://www.anao.gov.au/~media/Uploads/Documents/2010%2011\\_audit\\_report\\_no\\_12.pdf](http://www.anao.gov.au/~media/Uploads/Documents/2010%2011_audit_report_no_12.pdf)

<sup>25</sup> Ibid

## 8 Grocery Watch

In the 2007 election campaign, the Prime Minister promised to bring down grocery prices so that 'When families fill up their baskets and trolleys at the local supermarket, they should not have to worry if they are getting a raw deal by inflated grocery prices'.

Under the program the ACCC would be directed to publish a periodic survey of grocery prices at supermarkets for a typical shopping basket, including family staples like biscuits, bread and milk. The ACCC was to establish a dedicated website to publish pricing snapshots.

An inquiry into the proposed GroceryChoice Website was conducted by the Senate Economic References Committee. Consumer organisation Choice also proposed to run GroceryChoice.

The program met considerable opposition from the industry – with supermarkets also setting up their own websites.

The program was abandoned in June 2009.

**Figure 13: Grocery Watch**

	Criterion	Comment
1	Demonstrable, evidence-based need	No
2	Public interest parameters	No
3	Consideration of alternatives	No
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	No
10	Communication	No

## 9 Digital Set Top Boxes for Pensioners

The program provides set top boxes for pensioners to receive digital programs on their analogue television sets. There has been considerable criticism with reports revealing each box will cost taxpayers up to \$400 after installation. Retailers have commented that they can provide new digital televisions for less.

The Government is paying incentives for quick installations. Contracting companies have been chosen on their ability to deliver the scheme and incentive payments of 10 per cent were given to contractors who gave pensioners 'adequate digital reception within three weeks of the customer details being received'. It is estimated that it can take between three and four weeks to complete a job.

**Figure 14: Digital Set Top Boxes for Pensioners**

	Criterion	Comment
1	Demonstrable, evidence-based need	No
2	Public interest parameters	No
3	Consideration of alternatives	No
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	No
10	Communication	No

## 10 Transforming Australia's Higher Education System

Higher education policy has evolved since the Commonwealth began funding universities in the 1960s, and taking full responsibility for funding in the early 1970s. Policy has shifted from a purely education objective to one that is linked to economic, particularly work force, outcomes.

There have been many policy papers on higher education over the last 10 years. The most recent papers (which form current policy) were released in 2008 and 2009. The papers reflect a sound business case with the result that higher education policy is relatively uncontroversial.

The present Government considers that Higher Education is central to achieving its vision of a stronger and fairer nation. Its reform agenda for higher education and research is aimed at transforming the scale, potential and quality of the nation's universities and open the doors to higher education to a new generation of Australians. This is set out in the Policy Paper *Transforming Australia's Higher Education System* (Australia. Minister for Education Employment and Workplace Relations 2009).

The Policy will support the higher education and research sectors at an additional cost of \$5.4 billion over four years and will commit additional resourcing over the next 10 years. This includes funding of \$1.5 billion for teaching and learning, \$0.7 billion for university research, \$1.1 billion for the Super Science initiative and \$2.1 billion from the Education Investment Fund for education and research infrastructure.

The policy has been implemented smoothly, with little controversy.

**Figure 15: Transforming Australia's Higher Education System**

	Criterion	Comment
1	Demonstrable, evidence-based need	In the knowledge economy there is a need to lift education attainment Many policy papers on higher education over the last 10 years
2	Public interest parameters	Yes. Higher education is at the foundation of a knowledge economy
3	Consideration of alternatives	No
4	Implementation choices	No. A four year time horizon envisaged
5	Cost-benefit analysis	Evidence of substantial public and private returns to education. No specific estimates of return
6	Policy design framework	Yes
7	Further consultation	Yes, with the University sector
8	Produce Green then White paper	Green Paper: <i>Review of Australian Higher Education</i> (Bradley et al. 2008) White Paper: <i>Transforming Australia's Higher Education System</i> (Australia. Minister for Education Employment and Workplace Relations 2009)
9	Develop legislation	Yes
10	Communication	Yes

## 11 Innovation—Powering Ideas

Current innovation policy reflects a progression over many years from tariff policy to industry policy, through science and technology policy to the current situation where there is a high level of integration with research policy. There is a great deal of documentation that tracks this progression, reflected in numerous policy papers, studies and White Papers. Documentation of this evolution would be a separate exercise.

On 12 May 2009, the Government outlined its innovation agenda for Australia over the next decade in *Powering Ideas: An Innovation Agenda for the 21st Century*. *Powering Ideas* outlines a vision for a national innovation system in 2020. The vision is supported by specific policy ambitions, including:

- increasing the number of Australian research groups performing at world-class levels.
- boosting international research collaboration by Australian universities.
- significantly increasing the number of students completing higher degrees by research over the next decade.
- doubling the level of collaboration between Australian businesses, universities and publicly-funded research agencies.
- a 25 per cent increase in the proportion of businesses engaging in innovation.
- continued improvement in the number of businesses investing in R&D.

The expenditure impacts are reflected in an increase in Commonwealth Science, Technology and Innovation expenditure from \$8.4b in 2008–09 to \$9.4b in 2011–12.

**Figure 16: Innovation - Powering Ideas: An Innovation Agenda for the 21st Century**

	Criterion	Comment
1	Demonstrable, evidence-based need	Broad Government and business support for policies and programs that support innovation to enhance productivity and international competitiveness
2	Public interest parameters	Investments in innovation are considered to create employment in new and existing businesses
3	Consideration of alternatives	The development of science, technology and innovation policy has evolved over a number of years
4	Implementation choices	No
5	Cost-benefit analysis	Productivity Commission Report: <i>Public Support for Science and Innovation</i> (Australia. Productivity Commission 2007). Reservations on extent of public benefit
6	Policy design framework	Yes
7	Further consultation	Regular updates and annual report
8	Produce Green then White paper	Green Paper: <i>Venturous Australia - building strength in innovation</i> – Review of Australia’s innovation system (Cutler 2008) Review Paper <i>Collaborating to a purpose</i> – a Review of the Cooperative Research Centres Program (O’Kane 2008) White Paper: <i>Powering Ideas: An Innovation Agenda for the 21<sup>st</sup> Century</i> (Australia. Minister for Innovation Industry Science and Research 2009)
9	Develop legislation	Yes.
10	Communication	Yes.

## 12 Caring for our Country

Australian environment policy has developed over many years. Policy now brings together a number of disparate programs aimed at the preservation, restoration and renewal of Australia’s natural capital assets. *Caring for our Country* aims to achieve an environment that is healthy, better protected, well-managed, and resilient, and provides essential ecosystem services in a changing climate.

The Policy is contained in a detailed business plan, *Caring for our Country Business Plan 2012–2013* (Australia. Minister for Sustainability Environment Water Population and Communities 2011). The plan is detailed and comprehensive, and reflects the input of ‘thousands of community volunteers, farmers, land managers, environmental groups and natural resource management organisations’. The Plan is to be complemented by a *Clean Energy Plan*.

Under *Caring for our Country* the Australian Government is investing \$2 billion to achieve a real and measurable difference to Australia’s environment. This funding supports regional natural resource management groups, local, State and Territory governments, Indigenous groups, industry bodies, land managers, farmers, Landcare groups and communities.

Over \$700 million has been committed to fund activities through regional natural resource management organisations across Australia.

*Caring for our Country* defines specific outcomes for the six national priorities in its first five years of operation. *Caring for our Country* annual business plans are released towards the end of each year, and outline 1 to 4 year targets. These business plans invite proposals that help achieve the objectives set out in the outcomes statement.

*Caring for our Country* integrates the Australian Government's previous natural resource management initiatives, including the Natural Heritage Trust, the National Landcare Program, the Environmental Stewardship Program and the Working on Country Indigenous land and sea ranger programs.

**Figure 17: Caring for our Country**

	Criterion	Undertaken
1	Demonstrable, evidence-based need	Yes. It aims to achieve an environment that is healthy, better protected, well-managed, and resilient, and provides essential ecosystem services in a changing climate
2	Public interest parameters	Yes. Clear situation of 'greater good for a greater number of people'
3	Consideration of alternatives	No
4	Implementation choices	Yes – through annual business plans for six priority areas
5	Cost-benefit analysis	There have been several Productivity Commission reports in relation to the environment. Precursor programs have been extensively evaluated
6	Policy design framework	The policy design framework has evolved, particularly in the light of experience from precursor programs
7	Further consultation	Ongoing consultation
8	Produce Green then White paper	No
9	Develop legislation	Yes
10	Communication	Yes

### 13 National Broadband Network

In the run-up to the 2007 Federal election, the Opposition announced that a Labor Government would build a "super-fast" national broadband network, if elected. The network was estimated to cost A\$15 billion including a government contribution of A\$4.7 billion which would be raised in part by selling the Federal Government's remaining shares in Telstra.

After the election, the Rudd Government issued a request for proposals (RFP) to build the NBN. Six proposals were submitted. Telstra's submission was later excluded on the grounds that it had failed to submit a Small and Medium Enterprise Plan as required under the RFP.

On 7 April 2009 the Government announced its decision to terminate the RFP process on the basis that none of the proposals offered value for money – noting the deterioration in capital markets associated with the GFC. The Government announced that it was going to do the job itself. (Hawker Britton 2012).

The policy announcement did not refer to, or canvass, policy alternatives or options. It did not reflect an independent, a socio-economic cost/benefit

analysis, or extended consultation. Green and/or White papers had not been prepared.

The Government announced on 28 April 2009 that NBN Co had been established to deliver the network. The Company is wholly owned by the Commonwealth. The Government sought comments on the structure and options for the regulatory framework for NBN Co. The Government’s response was published on 15 September 2009 (Hawker Britton 2012).

An implementation study was commissioned and released on 6 May 2010. McKinsey & Company and KPMG concluded the NBN can be implemented and made 84 recommendations in the study, including expanding the fibre footprint.

A year and half after the announcement, on 24 November 2010, the NBN Business Case was released. The case set out a general timeframe for delivery, an expected ROI (in excess of the Government Bond Rate), and a total cost estimate of \$37.5 billion. The Government released a policy statement outlining the overall policy framework for the NBN on 23 June 2011.

The policy development process reflects what would be referred to in the building industry as a ‘design and construct’ brief which the Government handed to NBN Co – an entity which it created. No other providers were considered. Parliament House was built in this way, but there was a tender process.

Design and construct approaches require high levels of transparency and accountability and clear definition as well as separation of roles. The extent to which this approach is appropriate to the development and implementation of a major policy initiative is a matter of conjecture.

**Figure 18: National Broadband Network**

	<b>Criterion</b>	<b>Undertaken</b>
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



## 14 Resources Super Profits Tax

Taxation policy evolves in response to considerations of equity, fairness, efficiency and capacity to pay. From time to time new taxes are introduced, such as the Goods and Services Tax, and more recently the Resources Super Profits Tax.

The RSPT was first announced as part of the initial response to the Australia's Future Tax System review (the Henry Tax Review), by the Treasurer, Wayne Swan and the then Prime Minister, Kevin Rudd. The Tax has many similarities to the existing Petroleum Resource Rent Tax levied on off-shore petroleum extraction.

The Tax was replaced by the Minerals Resources Rent Tax (MRRT) after Julia Gillard become Prime Minister in June 2010. Gillard made implementation of the tax her first priority.

The Tax became law following passage of the Bills through the Senate in March 2012.

**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

## 15 The Murray Darling Basin Plan

Water Policy has been a focus of Commonwealth Policy for many years. Policy emphasis and direction has changed as problems and issues come to attention. The most recent area of concern has been the Murray Darling Basin and the balance between water use for farming, community and environmental purposes.

In October 2010, The Murray–Darling Basin Authority (MDBA) released its Plan to secure the long-term ecological health of the Murray–Darling Basin. This involved cutting existing water allocations and increasing environmental flows.

The Plan is designed to:

- set and enforce environmentally sustainable limits on the quantities of water that can be taken from Basin water resources.
- set Basin-wide environmental, water quality and salinity objectives.
- develop efficient water trading regimes across the Basin.
- set requirements for state water resource plans and to improve water security for all Basin users.
- optimise social and economic impacts once these environmental outcomes have been met.

With the release of the *Guide to the Proposed Murray–Darling Basin Plan* there were a number of protests in rural towns where the Plan would have impact. The Government was advised that the Plan must optimise the environmental, social and economic impacts of proposed cuts to irrigation. In October 2010, a parliamentary inquiry into the economic impacts of the Plan was announced. The MDBA announced in November 2010 that it might be forced to push back the release of its final Plan for the river system until early 2012.

The Business Case parameters for the most recent Murray Darling Plan are assessed in Figure 20.

**Figure 20: The Murray Darling Basin Plan**

	Criterion	Comment
1	Demonstrable, evidence-based need	Yes
2	Public interest parameters	Yes – but need to strike a balance between water use for farming, community and environmental purposes
3	Consideration of alternatives	MDA offered alternatives and implementation choices about levels of cutbacks to water entitlements
4	Implementation choices	Not initially
5	Cost-benefit analysis	Proposals reflect assessment of costs and benefits to varied stakeholders
6	Policy design framework	Not well developed
7	Further consultation	Yes
8	Produce Green then White paper	White Paper only - there were protests about the Plan in rural towns where the Plan would have impact. Plan withdrawn
9	Develop legislation	Yes
10	Communication	No

## 16 Emissions Trading and Carbon Tax

The Howard Government and Labor in Opposition promised to implement an emissions trading scheme (ETS) before the 2007 Federal election. Following the election the Government introduced the Carbon Pollution Reduction Scheme. This was supported by the Coalition with Malcolm Turnbull as leader.

To ensure passage of the legislation through the Parliament the Government required the support of crossbenchers including the Greens. One of the requirements for Green support was the formation of a cross-party parliamentary committee to determine policy on climate change. The committee recommended the introduction of a fixed-price carbon tax commencing 1 July 2012, transitioning to a cap-and-trade ETS on 1 July 2015.

In February 2011, the government introduced the Clean Energy Bill which was passed by the Lower House in October 2011 and the Senate in November 2011.

Under the scheme, around 500 entities will be required to buy permits for each tonne of CO2 emitted. Personal income tax will be reduced for those who earn less than \$80,000 per year and the tax-free threshold increased from \$6,000 to \$18,200.

**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

## 17 National Disability Strategy

The National Disability Strategy is a 10 year national plan for improving life for Australians with a disability, their families and carers. It represents a commitment by all levels of Government, industry and the community to a unified, national approach to policy and program development.

The Strategy is the result of a large nation-wide public consultation process, involving more than 2,500 people and was formally endorsed by COAG on 13 February 2011.

The Strategy sets out six priority areas for action:

1. Inclusive and accessible communities – the physical environment including public transport; parks, buildings and housing; digital information and

communications technologies; civic life including social, sporting, recreational and cultural life.

2. Rights protection, justice and legislation – statutory protections such as anti-discrimination measures, complaints mechanisms, advocacy, the electoral and justice systems.
3. Economic security – jobs, business opportunities, financial independence, adequate income support for those not able to work, and housing.
4. Personal and community support – inclusion and participation in the community, person-centred care and support provided by specialist disability services and mainstream services; informal care and support.
5. Learning and skills – early childhood education and care, schools, further education, vocational education; transitions from education to employment; life-long learning.
6. Health and wellbeing – health services, health promotion and the interaction between health and disability systems; wellbeing and enjoyment of life.

The National Disability Strategy will guide public policy across Governments and aims to bring about change in all mainstream services and programs as well as community infrastructure. It is the first time the Federal, State and Territory Governments have agreed to such a wide ranging set of directions for disability.

The Strategy is supported by an *Evidence Base* paper. It contributes and adds to the strong evidence base that has informed and is contained in the Strategy, and draws on a wide range of statistical and information sources.<sup>26</sup>

**Figure 22: National Disability Strategy 2010-2020**

	Criterion	Comment
1	Demonstrable, evidence-based need	Yes
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
9	Develop legislation	Yes
10	Communication	Yes

## 18 Regional Development Australia

Regional Development Policy had its genesis in the early 1970s. Labor Governments have introduced region policies, and conservative Governments have withdrawn from them. RDA was not the subject of a comprehensive business case or policy document.

The Regional Development Australia (RDA) initiative has achieved a new level of integration of State and Commonwealth policies through a national network of

<sup>26</sup> See: [http://www.fahcsia.gov.au/sa/disability/progserv/govtint/nds\\_2010\\_2020/Documents/nds\\_evidence\\_base\\_nov11.pdf](http://www.fahcsia.gov.au/sa/disability/progserv/govtint/nds_2010_2020/Documents/nds_evidence_base_nov11.pdf)

55 committees made up of local leaders who work with all levels of government, business and community groups to support the development of their regions. RDA is funded by the Federal Government and by State, Territory and Local Governments in some jurisdictions.

A key component of the Program involves the payment of grants under the \$1 billion Regional Development Australia Fund. Applications for Grants must be submitted by Councils or NGOs through a Regional Development Australia Committee. There has been one completed funding round, which attracted 500 applications.

The application process is exacting – and called for a ‘business case’ approach. There were complaints about bias in the process with grants favouring particular LGAs. But as grants are assessed on written material, it may well be that grants flow to the better written applications rather than necessarily to the best causes.

As indicated earlier in this Paper, preparing a business case is a capability. It may be necessary in future to ensure that applicants have access to people competent and capable in business case preparation.

**Figure 23: Regional Development – Regional Development Australia**

	<b>Criterion</b>	<b>Comment</b>
1	Demonstrable, evidence-based need	Yes
2	Public interest parameters	Yes
3	Consideration of alternatives	No
4	Implementation choices	No
5	Cost-benefit analysis	No
6	Policy design framework	Yes
7	Further consultation	Yes
8	Produce Green then White paper	No
9	Develop legislation	No
10	Communication	Yes

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