

A Business Case Approach to Public Policy Making¹

- Restoring Green and White Papers to the Public Discourse

Submission to the Australian Symposium for More Effective Government

My proposal is that all tiers of government should adopt a 'business case' approach to developing public policy on contentious issues instead of making policy on the run or by cabinet fiat. A contentious issue is one that provokes significant public controversy.

By a 'business case' approach is meant:

- 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.

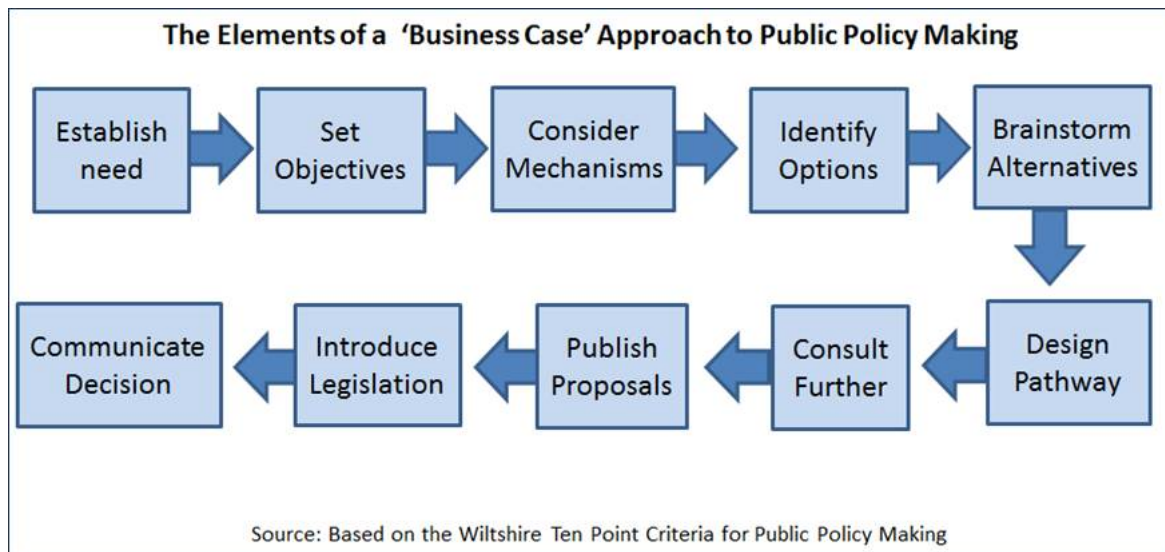
Green papers float proposals for public feedback whereas White papers outline the final form that policy will take before it's reviewed as legislation.

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.

i

The flow chart in the proposal depicts the ten steps involved in making a business case in a public policy context as advocated by Professor Kenneth Wiltshire of the University of Queensland Business School.



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.

By 'Hard evidence' I mean 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.

In 2012 of the 18 case studies we did of the Rudd and Gillard Government's major policy initiatives only the NDIS passed all of the Wiltshire Business Case criteria. By contrast the NBN passed only two of these ten criteria (the first and the ninth).

Note, however, that under the costing criteria, the annual operating expense of the NDIS is likely to be double that originally estimated by the Productivity Commission (\$28 billion a year versus a projected \$14 billion a year). This shows that even a business case approach is not infallible.

Also the NBN's capital outlay has blown out to as much as \$56 billion versus \$37 billion originally estimated in 2008 even though it has been scaled back to a fibre to the node instead of fibre to the premises system. The project's internal rate of return is now expected to be half that projected in 2008 (about 3.1% versus 7.1%). Not applying a business case approach before launching the NBN doomed it to failure.

My proposal recommends:

- All Governments formally commit to applying a Wiltshire style 'business case' framework to policy making for all contentious issues.
- 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.

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ⁱ This proposal first appeared in a paper I edited for the Institute of Public Administration Australia (IPAA) in 2012 when I was its National President.