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Chris Lowe

Bus Association of Victoria

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Value For Money

Chris Lowe

The Problem is Fivefold

1. Different understanding of what VFM is between and within jurisdictions.
2. Different priorities and different weightings on the determinants of evaluation.
3. No explicit (only implied) inclusion of social costs and externalities*.
4. Opaque disclosure practices.
5. Absence of whole-of-government.

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So What?

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3 Do-ables

1. That we adopt a national and consistent definition of value-for-money.

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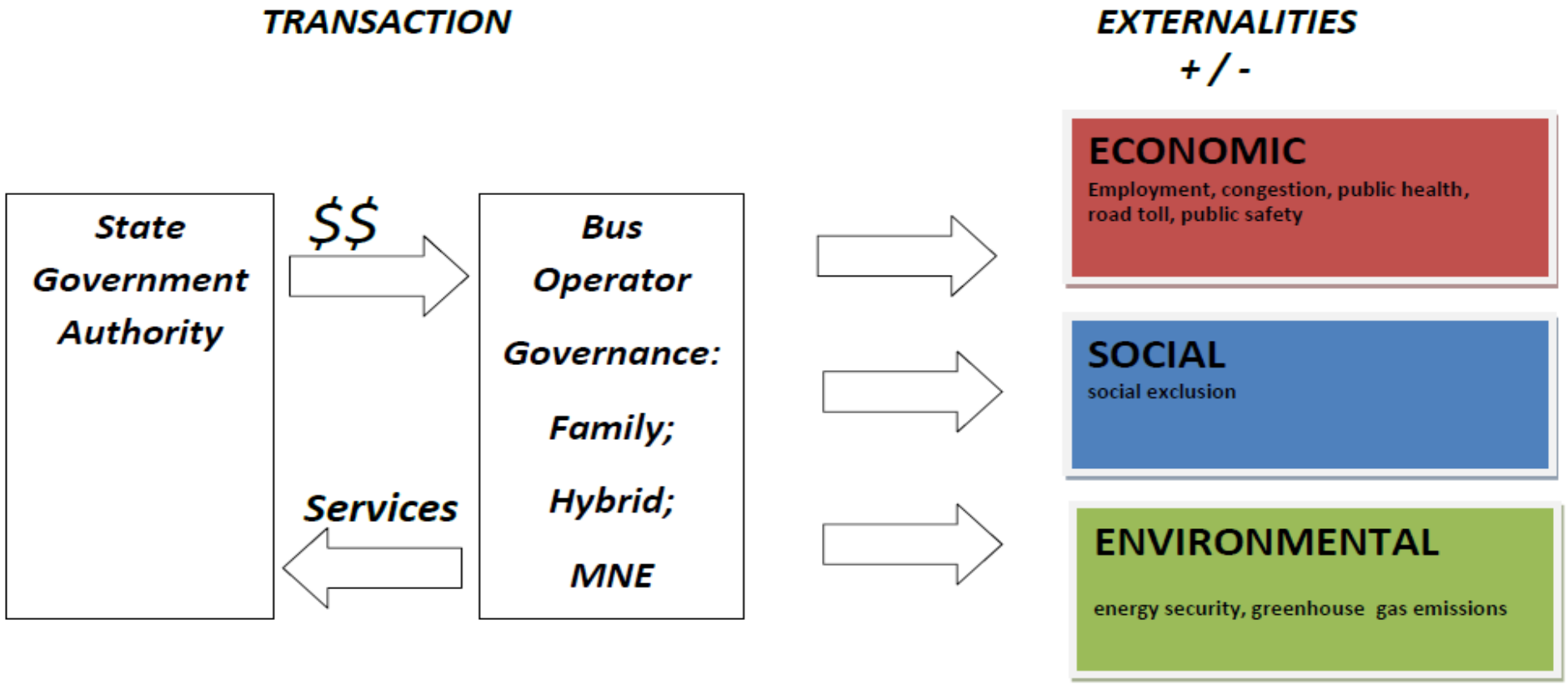
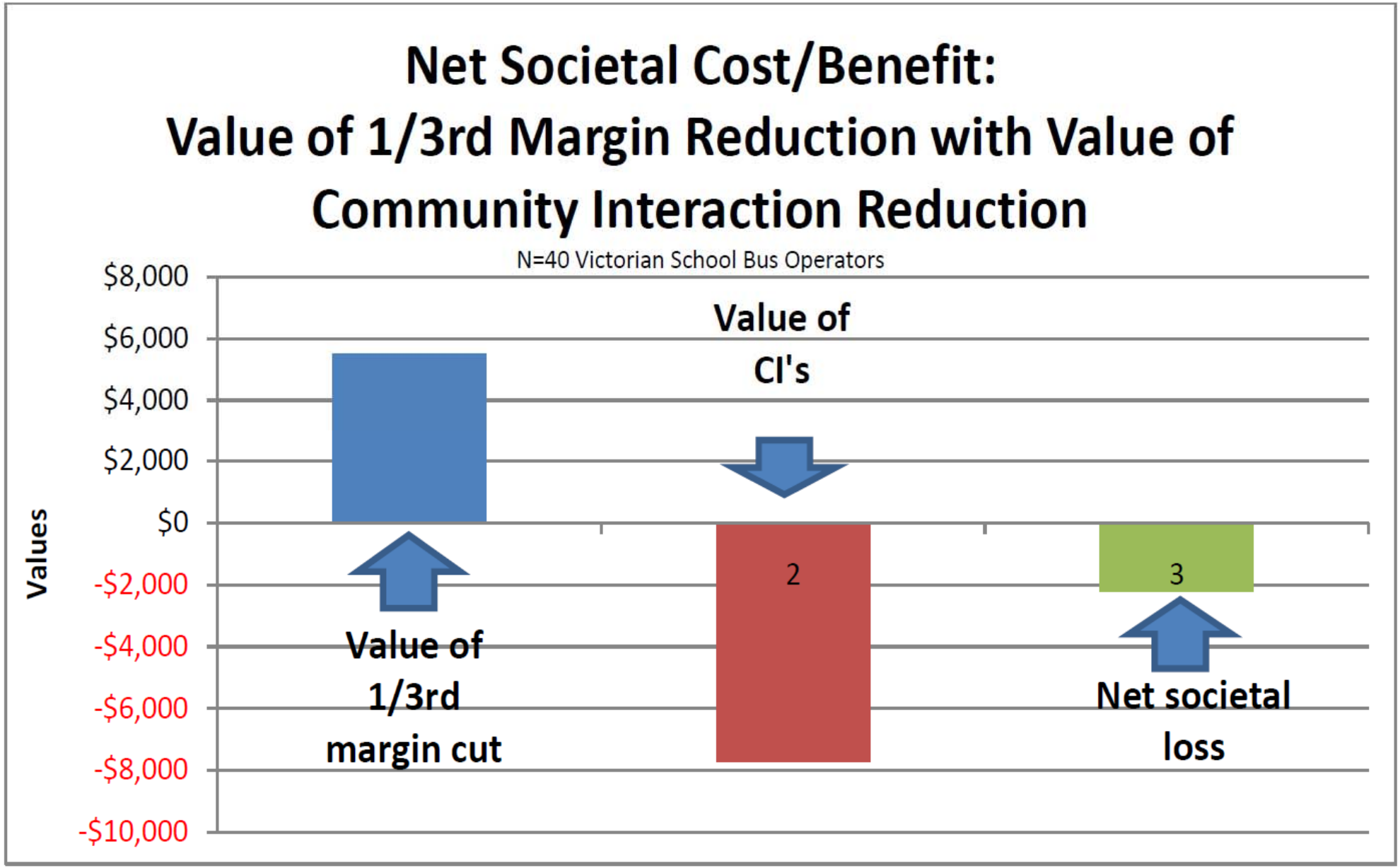
3 Do-ables

2. That governments be obligated to consider triple bottom-line (that is, economic, social, environmental) imperatives, and externalities, when evaluating major market transactions.

Externalities

'...our bid laws create ... a value system which rewards budget savings from one government pocket but does not recognise that it may be offset by a similar expense from another government pocket in the form of an externality cost.' (Berglund, 2011)


TRANSACTION
EXTERNALITIES
+ / -
State Government Authority
$$
Services
Bus Operator
Governance:
Family;
Hybrid;
MNE
ECONOMIC
Employment, congestion, public health, road toll, public safety
SOCIAL
social exclusion
ENVIRONMENTAL
energy security, greenhouse gas emissions


Net Societal Cost/Benefit:
Value of 1/3rd Margin Reduction with Value of Community Interaction Reduction
N=40 Victorian School Bus Operators
Values
$8,000
$6,000
$4,000
$2,000
$0
-$2,000
-$4,000
-$6,000
-$8,000
-$10,000
Value of CI's
Value of 1/3rd margin cut
2
3
Net societal loss

3 Do-ables

3. That there be complete disclosure of the entire case underpinning their decision making to ensure transparency.

How do we do this?

1. Acknowledge it's a problem
2. Be prepared to change
3. Invest in education and training

THANK YOU

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