



Commissioning & Contestability

Mitigating Risks in a Rapidly Changing
Environment



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Topics Today

- ▶ Understanding Commissioning and Contestability
- ▶ Definitions
- ▶ Relationship with Data
- ▶ Sydney Water “Meet the Market”
- ▶ Benefit of Contestability
- ▶ Corruption Risks
- ▶ John Maroney Case
- ▶ Summary

Definitions

- ▶ **Understanding Commissioning and Contestability**

“The market should provide services where it can achieve better outcomes and value for the people of NSW”

Rob Whitfield, former NSW Treasury Secretary (June 2016)

Definitions

- ▶ What is Commissioning and Contestability
 - Commissioning: Is an approach to considering the outcomes that need to be achieved and the system to deliver these outcomes.
 - Contestability: A process of evaluating and benchmarking against credible alternatives and/or market testing in order to drive productivity.

A Detractors View

- ▶ a synonym for ‘competition’ or ‘competitiveness’
- ▶ soft alternative to ‘outsourcing’
- ▶ ‘contestability’ is a convenient synonym for market-testing or outsourcing

Academics View

- ▶ Many academics will argue that there isn't a clear definition.
- ▶ Contestability is the credible threat of competition.
- ▶ Contestability is not about actually privatising, but rather the threat of privatisation to get public services, and unions, to boost efficiency.

Relationship with Data

“In God we trust. All others must bring data.”

W Edwards Deming, Statistician

Relationship with Data

Data:

- Provides the credibility to make the change. Benchmarking data is at the core of promoting the need for contestability.
- Provides the evidence that contestability worked. Although, data may be difficult to obtain in some organisations.

Does Contestability lead to better outcomes?

- ▶ Benefits of contestability
 - Potential competition
 - Reform in an existing organisation
 - Incumbents cooperate in transformation

Corruption Risks of Contestability

- ▶ Devolved decision making
- ▶ Private public–sector partnerships
- ▶ Direct Negotiation – Augmentation
- ▶ End to End control. Issues that may arise when agencies are driving the contestability then may also have a conflicting role of monitoring its success.

Recent Examples

- ▶ Sydney Water – Meet the Market Beat the Market
- ▶ John Maroney Correctional Centre
 - Internal Public Sector bidder was preferred bidder.
 - Has created a dual role for the Commissioner

Summary

- ▶ Data has an important role to play to justifying C&C and reporting on whether it is a success.
- ▶ C&C will do better in environments where objectives and success can be clearly defined.