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**“Riding the Wave to Sustainability”**

**ACHIEVING SUSTAINABILITY IN THE CONTEXT OF  
COMPETITIVE SERVICE DELIVERY**

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Abstract

Since the Hilmer Report in 1993 public works engineers in state and local government have achieved high standards of service delivery using market mechanisms. They have created orderly, well functioning systems based on sound management practices. The defining principle has been economic value for money – thus the strategy of best value – largely driven by the political agenda to demonstrate such outcomes. As this process has become established other principles have become important as the community and government focus on broader social and environmental issues. Triple bottom line (TBL) accounting currently challenges local government managers across the professions, including public works engineering. This paper will show that economic, environmental and social goals and the use of the market are not mutually exclusive. In an effective local government they are inextricably linked. It provides examples of how the means of delivery can complement TBL outcomes in the delivery of ecologically sustainable public works and services in a competitive service delivery environment.

Key Words: sustainability, compulsory competitive tendering, CCT, best value, triple bottom-line, performance management.

## Introduction: From CCT to Best Value to TBL

The evolving Australian policy context has developed from a debate about the means of service delivery to one that has outcomes as the centrepiece. Compulsory competitive tendering (CCT), a top-down approach to local government reform in the United Kingdom, New Zealand and Victoria was based on the assumption that the invisible hand of the market would lead to efficiencies in service delivery (Hilmer 1993). In certain circumstances this was the case, typically in relation to services where economies of scale and machine-based production enabled unit cost to be driven down, such as with domestic waste collection, the most cited example (Naschold & Von Otter, 1996). The unintended consequences of reliance on the market for the efficient and effective delivery of government services have caused governments in western, liberal democracies to rethink sole reliance on this strategy.

Best Value was a vague policy position falling between a focus on the means versus the desired ends of government service delivery (see Boyne, 1999 for a review of UK experience). Now largely discounted as a policy position Best Value has been abandoned by local governments unable to effectively apply it as a performance management regime. While the Victorian Labor Government replaced CCT with Best Value, and legislated a set of principles, there appears to be little follow up and accountability assessment relating to local government programs.

The Bracks Labour Government in Victoria (Victorian Government 2001) has now shifted to Triple Bottom Line (TBL) outcomes as the criteria for assessing the performance of their state agencies, but has not applied this to local government, in the same way that they legislated for Best Value decision-making. No doubt the new Government realised that determining what was best value was a decision of the local government council. This, however, was done without any real performance assessment. While community and user satisfaction surveys were the primary accountability mechanism, in the absence of more outcome-oriented measures, they were a crude measure. TBL provided the comprehensiveness in performance measurement – both in State Government service delivery, as well as in local government. The latter, however, are not under the same spotlight as State Government departments and agencies in this regard. Out of the TBL performance management approach has also come the recognition that sustainability is a key criteria for assessing outcomes. In fact the rhetoric of sustainable development, considering social, economic and environmental outcomes, has become the defining framework for public sector performance management in Victoria.

The shift over the last decade, from a focus on the means of service delivery (CCT) to a focus on the outcomes (sustainable development and TBL) requires a different way of organising and managing local government service delivery.

The policy-making literature has identified the management issues relating to a focus on means versus ends, especially where there is disagreement about the nature of each. Thompson's (1956) early work contrasting a focus on means and ends is worth considering. His presentation of the relationship between means and ends is set out in Figure 1. Where there is agreement with both the ends and the means to achieve them Thompson presents this as a straightforward 'computational' task. I suspect that this is why domestic waste collection via the market is, in political terms, a relatively easy task. Where there is disagreement over the ends to be achieved, yet agreement over the

means, we observe ‘inspirational’ decision making. The small town revivalist projects that are being led by ‘evangelical consultants’ is an example of such decision-making. Disagreement over the means of achieving agreed ends leads to ‘judgmental’ decision-making. The famous prediction by a recent Australian Prime Minister ‘that no child will live in poverty’ is one such example. Finally where there is no agreement on means or ends to be achieved we have compromise, never an effective outcome for the parties involved.

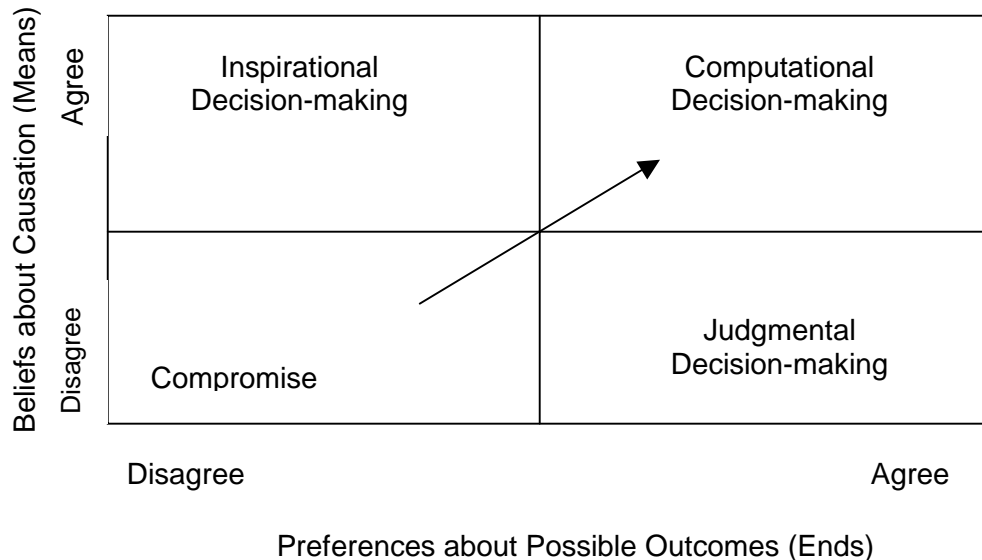


Figure 1: Contrasting preferences about means and ends in decision-making (after Thompson and Tuden (1956))

Thompson’s typology is helpful when thinking about the emphasis on means or ends. It is not that CCT was not concerned about ends. It was. The emphasis was on the means by which services were delivered. In Victoria, for example, there was a requirement that all local governments make at least 50% of their operating budget subject to contracting out, regardless of whether there was a market that would provide for the efficient allocation of services. Equally TBL is not just about ends. Economic outcomes relate both to the achievement of local economic success and the means by which they are achieved.

Why this shift in focus by government – from a focus on the means of service delivery to a focus on the outcomes achieved? How does this shift impact on the use of the market for service delivery sit with this new emphasis on outcomes? Are they mutually exclusive concepts, or can we benefit from both aspects of service delivery? Finally, how do the positive initiatives from CCT, Best Value and TBL in public works engineering endure in the policy context of local sustainability? We will first review the concept of local sustainability before considering each of these questions.

What is sustainability, and local sustainable development?

Sustainability and sustainable development has been embraced by all levels of Australian government, reflected in a range of policy principles and frameworks (see Brown 1997 for a comprehensive outline). Sustainable development, ‘improving social

well-being and economic opportunity while caring for the environment' (Dore & Woodhill 1999) demands that contemporary development does not have adverse intergenerational impacts, that environmental effects are not irreversible, development meets the needs of the community - who value the outcomes of sustainability - and who are prepared to allocate scarce resources to ensure it is achieved. This paper is interested in how the use of 'the market' to deliver services impacts on the ability to measure outcomes in terms of TBL criteria. It argues that these are not mutually exclusive processes. The challenge is to identify clear TBL outcomes for service providers so that they understand what is required and are able to price their service accordingly. A key factor in doing this is the dilemma of having to set minimum standards for a concept that is aspirational, is about growth and development, as opposed to the conventional approach in public management of setting minimums to be achieved.

Sustainability runs the risk of being seen as a compliance regime by local government managers as they attempt to determine criteria for service delivery contracts. Performance management regimes that are based on minimum standards being achieved, "70% of all users surveyed ...", for example, are of this type. Yet sustainability has much in common with the concept of best value: an ideal aspired to, but never achieved. A goal or a vision we are searching, but never reached.

The political environment, however, typically demands the achievement of minimum standards, thinking that does not always fit with the aspirational nature of best value and sustainable development. A reason why, I suspect, governments are frustrated by best value as a performance management concept. Sustainability has much in common with the concept of best value in this regard.

What if we were to set contracts that rewarded service delivers who achieved aspirational TBL goals? Fricker (2001) challenges managers to 'measure up to sustainability', to think about sustainability as an aspirational goal. He asks 'once the ecological integrity of the earth is ensured and our basic needs satisfied, how much is enough?' He argues that 'the challenge of sustainability is neither wholly technical nor rational. It is one of change in attitude and behaviour. Sustainability therefore must include the social discourse where the fundamental issues are explored collaboratively within the groups or community concerned.' (Fricker 2001) A reason why, I suspect, that new policy initiatives such as the National Action Plan for Salinity and Water Quality include measures relating to capacity building for communities, governance and public communication (NAP 2001).

In the TBL regime economic and environmental measures fit more comfortably with minimalist compliance performance management regimes than social measures do. Social measurement also appears to be more at home with the aspirational thinking of best value and sustainability. Behavioural psychology provides us with a well know concept to explain the difference between achieving minimal standards and aspirational goals, or desires.

Maslow (1954) gave us the concept of a hierarchy of needs. There are basic needs relating to survival and acceptance that must be reasonably well satisfied before we can attempt to satisfy esteem and higher order intellectual needs. Social outcomes, as defined in TBL measures relate more to these higher order human needs (especially when we include governance and culture measures), whereas economic and environmental needs relate more to the achievement of acceptable (minimum) standards

which allow us to pursue higher order social goals, which Maslow described as 'growth' needs. Achieving THE image of our ideal self, being 'self-actualised' was the highest order human growth need, to which healthy adults aspire. The suggestion here is that as individuals change and develop their view of the future also changes and the healthy, essentially optimistic individual - where self-efficacy is a primary driver - will be looking forward to ever-changing higher order human growth goals.

A key question this poses is can local government use the market to encourage aspirational thinking and behaviour to sustainable outcomes? If the service provider is rewarded financially for achieving gains in sustainability thinking and behaviour, this is an effective use of the market. Solid waste disposal, for example, might be contracted out on the basis of a range of aspirational performance criteria, where benchmarks had been set, where the service provider was rewarded for a range of recycling, rate of landfill and energy use improvements. The central point being that these were not minimums to be achieved but goals where annual improvements were expected and rewarded. When negotiations were structured this way we would start to see long-term improvements in sustainable practices in public works engineering, and other local government services. Equally if the citizens actively contributed to the achievement of these goals they too could be rewarded for their efforts, through recognition of effort, as well as more basic monetary rewards.

If the performance management system is based on minimums to be complied with, as opposed to sustainable goals – attitudes, values and relationships – to be aspired to, it runs the risk of achieving neither. Those who take sustainability to heart are not satisfied with the claim of minimum standards met. Equally, those who attempt to apply a compliance regime will be frustrated by the constant demands of those who judge performance in terms of ideals. Herein, I believe, lies the rub with much of the debate about sustainability and performance management in local government. Especially when the performance management system has its conceptual roots in the mechanisms and structures of CCT.

### Why this shift in focus by government – from the means of delivery to the outcomes achieved?

CCT was a focus on the means of delivery of local government works and services. It was an attempt to improve the efficiency of service delivery. In hindsight we can see it as an inward, institutional focus. CCT was a process of institutional rationalization, something that had not occurred in Victoria Local Government after a decade of successive attempts by state governments to rationalize and reform local government. During this period concerns about the most efficient way to deliver local government services took centre stage with much less attention paid to the needs of the community. The evidence from local government (Kloot and Martin, 2000, forthcoming) is that they are now more productive as a result of the use of the market for service delivery (CCT in Victoria, with similar requirements in other states). Part of the response to the realization that a focus on means did not assist decision makers about long-term service provision choices was more attention to outcomes, or what it is that local governments are trying to achieve. This is most evident in Victoria where the State Government replaced CCT with Best Value, a specific, legislated policy framework with a specific performance-reporting framework.

Local government in Victoria is required to make Best Value reports to the State Government, to identify what they wish to achieve and to judge, for themselves, whether they have achieved these goals. The State is much less interested in what was actually achieved. They are far more interested in the process that local governments have gone through to specify goals and report on how they have gone about achieving. Once again the State Government has focused on the means of performance reporting. It has been left to local government to determine its goals – as many in local government would argue should be the case.

How does the use of the market for service delivery sit with this new policy emphasis on TBL?

These are not mutually exclusive concepts and processes. The use of market mechanisms for service delivery is but one method of service delivery. TBL, on the other hand, is a performance management strategy, which incorporates earlier approaches to performance management (efficiency criteria, for example). What differentiates TBL from earlier performance models is its comprehensiveness. A challenge for local government is to develop performance management systems to measure TBL outcomes. It is here that many local governments are not up to the mark.

Are they based on mutually exclusive concepts, or can benefits from both approaches working in concert?

As Thompson and Tuden identified so long ago rational decision-making can occur when there is balanced agreement about the means of delivery and the outcomes to be achieved. The challenge for local government managers – in all areas of service delivery – is to strike a balance. Recent performance management research (Kloot & Martin 2000) confirms that this balance is rarely found in Australian local government where there is a preoccupation with the means of service delivery at the expense of clever thinking about the ends communities wish to achieve, ends which relate to TBL outcomes. When local government managers see social outcomes – the way teenagers value their skate park, the emphasis householders put on maintaining their nature strip, the pride citizens express in their town centre, and so on, as part of their performance measurement regime they will start to strike a balance between the means of delivery and the goals they seek to achieve.

How do the positive initiatives from CCT, Best Value and TBL in public works engineering endure in the new policy management environment?

Innovative professionals in Australian local government are now measuring the TBL outcomes of the services provided in their area of responsibility. Many are still learning about the best way to measure these outcomes, especially in relation to social and environmental effects in public works engineering. This can be a frustrating process for the busy professional keen to get on with the task at hand. It is clearly a challenge as the identification of valid outcomes is best done in concert with the community. Out of effective consultation processes comes a common agreement about what matters to the community. When you get beneath the surface – the constant debate about the cost of service delivery - communities will focus on values and relationships, they will be concerned about the way people live their lives. This requires patience on behalf of many local government professionals, who are driven by competing demands, with low

resources and the frustration of inevitable cynicism from the squeaky wheels, who too often preoccupy centre stage in the councillor's minds.

### Conclusion

Sustainability is an outcome that all communities aspire to. Conceptually it is not in conflict CCT with its focus on how services are delivered. Over the last decade Australian Local Government has moved to the centre ground of decision-making appreciating the need to balance a focus on the means of service delivery and the goals or ends they aim to achieve. An appreciation of the complementary nature of these concepts will see local government managers designing performance management systems which enable them to work with their community to become more sustainable in their quest for this elusive goal.

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### Biography

Associate Professor John Martin is the Director of the Centre for Regional and Rural Development, RMIT University, Hamilton SW Victoria. John has been teaching, researching and consulting to Local Government throughout Australia, New Zealand and SE Asia for the last 24 years. His continuing interests range from the effective strategic management of local and regional government. The performance management regimes they develop, the development of local government professionals and elected people, and why it is that some local governments achieve innovative periods of creativity and change. He is currently working with natural resource managers in Victorian Catchment Management Authorities on ways in which they can introduce TBL performance management regimes.