

# What to do when a review doesn't go far enough

[Economics & Deregulation](#) and [Deregulation Unit](#) | [Alan Moran](#)  
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Both governments and businesses are constantly reviewing their operations.

For businesses the objective is to see what new trends are emerging, how to reduce costs and how to better orientate services and products to consumers.

Governments nowadays seldom have firms that are competing for the consumers' dollars.

Their own reviews more typically concern policy frameworks and regulatory arrangements.

As a result, governments and businesses use different forms of outside advice.

Businesses tend to use management consultants, among the best well known of which are McKinsey's, Booz Allen Hamilton and Accenture.

Governments rely on internal review bodies, like the Commonwealth's Productivity Commission or the Victorian Competition and Efficiency Commission (VCEC).

These review bodies have little expertise in management matters -- indeed they seldom have any executives with commercial experience.

But governments are sometimes reluctant to use outside management consultant expertise.

Especially in areas of policy sensitivity, this may throw up unpredictable recommendations which can be placed in the public arena.

Recognising reform of Victoria's retail water provision needs addressing, in August last year the Government sought advice from the VCEC.

It asked the VCEC to examine the best structure and management approaches for the monopoly water suppliers (City West, South East and Yarra Valley).

The government also asked the VCEC to address more general efficiency issues in the provision of water supply augmentations.

Among these was an invitation to the VCEC to offer "options to reduce costs of the metropolitan sector".

Addressing efficiency and regulatory impediments is the area of VCEC expertise. The VCEC's policy evaluation skills could have illuminated issues concerning urban water provision.

This could have explored additional sources of urban water from the state's eastern catchment areas. It also could have been a staging post to allow the government to back away from its proposed \$3.1 billion white elephant desalination plant.

In contrast to these policy concerns, management issues regarding the provision of water are not matters on which the regulatory reform agency is expert or equipped to address.

Shortly before Christmas the VCEC issued a draft report, ``Water Ways: Inquiry into Reform of the Metropolitan Retail Water Sector".

Unfortunately, perhaps following informal advice from the government, this discusses only the management issues concerning the supply businesses.

In its 234 pages the VCEC draft report does cover such issues as stormwater harvesting and rights to recycled water. But the bulk of the report examines management matters like financial gearing ratios, interest cover and how the retailers might deal with plumbers.

A large part of the draft report examines whether there should be one, two or some other number of monopoly suppliers of water.

Investigating a re-arrangement of corporate deck chairs is far removed from the VCEC's core competencies.

The Government presently has a disastrous water supply policy which, if left unchanged, will impose considerable unnecessary costs on consumers and business alike.

If the VCEC final report does not address the key issues of water policy it will have been a waste of resources.

Without such a focus, the review will simply be one component in a Government strategy for blunting discontent about the higher water prices that current policies will cause.

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