

President's Message

Seeing things from a different perspective

Value is in the eye of the beholder.

This saying is obviously a play on “beauty is in the eye of the beholder”. Margaret Wolfe Hungerford (née Hamilton) is widely credited with coining the saying in her book Molly Bawn (1878).

It simply means that every person sees things from a different perspective. If you were to interview 10 people who saw an event, you would hear 10 different impressions.

More simply, we each have our own opinion, we each think and perceive differently, and we each have different views of what is important.

I first substituted ‘Value’ for ‘Beauty’ in a paper on Value for Money in Government Procurement at the 1998 APEC Senior Officers meeting on Transparency in Government Procurement.

The objective of the substitution was to highlight that the concept of ‘value’ can mean quite different things to different stakeholders.

To illustrate, the following shows the different perceptions of ‘value’ that various project stakeholders and decision-makers might have.

‘Value’ to the:

- Financier / Investor / Treasury official is ‘certainty of outcome’ for the approved budget allocation
- Architect / Designer is more about the quality of the design

- Project Manager is minimised delivery risk (time and cost)
- Project Owner is most likely to be aligned with the traditional concept of the right product for the least cost
- Safety Regulator will be no injuries or incidents during construction or operation of the facility or product
- Environmentalist is sustainable outcomes and no adverse incidents during delivery, manufacture or construction.

Clearly this demonstrates that the perception of Value for Money will be different for different stakeholder groups. Further, the concept of value is likely to change over the course of a project.

The excellent article by Roy Woodhead ‘Concepts of Value in Value Management’ made similar observations on the concept of value when he stated “value is always about some form of benefit”.

Where this paper departs is that Woodhead linked value to function in a project or product performance context. The issue here is that a strict link of a product with its core function can limit consideration of the value perspectives, say the Financier / Investor / Treasury official.

IVMA’s concept of VfM embraces the wider or whole of system perspective and recognises all stakeholders have a role to play, and that everyone’s opinion (or question) is important.

In this context, the VM facilitator role is to help people or stakeholders get best value for money from their project or endeavour.



A skilled VM facilitator does this by providing timely interventions that:

- Help align peoples thinking about their projects / strategies / endeavours
- Assist in creating a Value Statement, including the relative importance of the embodied objectives
- Encourage people to explore opportunities, question the status quo and bring forward new ideas
- Maintain people’s focus on the important issues that need to be resolved versus those that can be ‘kicked down the road’.

The underpinning principle is that VfM can only be assured by informed decision-making. The issue here is that we need to take the time to do this, engage the right group of stakeholders and apply the necessary commitment.

It is here that Value Management can greatly assist as it provides a structured process that can bring a disparate group of stakeholders together and deliver aligned / agreed project objectives consistent with their individual expectations.

Importantly, a Value Management intervention can do this in a way that optimises the use of the limited time that many stakeholders have available.

Ted Smithies
President, IVMA

Ted Smithies – National Surf Life Saving Award 2025

It was around three decades ago that Ted Smithies was on the beach waiting for his daughter who was doing “Nippers”, a program for Australian youth to learn about surf skills and safety.

Following a general request delivered to the waiting parents, Ted decided to do a sand run with the Newport Surf Life Saving Club sprint team.

Well, when he crossed the finish line, breathing down the neck of the sprint coach, Ted began his Masters athletic sand-racing career.

Over the years he has competed at local, Branch, State, Australian and World titles. This has seen him and his biggest supporter, wife Sharon, travel to many states and countries competing for his surf Club, Newport.

Ted’s areas of competition included the beach sprint, relay and flags races.

Every sport has an elite category of athletes who generally become acknowledge in a special category, like rugby league has the “immortals”, while many, including Surf Life Saving Australia (SLSA) has two “Halls of Fame” – one for the general, Open division and the other for the “Masters” division, that is the over 30 years of age competitors.

Annually the SLSA select committee may choose up to two outstanding Masters to be acknowledged as legends in the ranks of all Masters.

It is a tribute to the work and dedication that the Masters competitors put in to their training and competing.

This award is a way to publicly acknowledge the outstanding Masters within our sport and allow them to be celebrated by their peers.

At the 2025 SLSA National Titles at North Kirra beach, Queensland, Ted Smithies was acknowledged as a **Masters Legend** and inducted into the SLSA **Masters Hall of Fame**.

Some of Ted’s achievements that underpinned this award that is only bestowed on the very elite, include, between 2001 and 2024 Ted won:

- 31 gold medals;
- 4 silver medals; and
- 3 bronze medals;

Most amazing, in these results, is that Ted has never lost a sprint race in his whole competitive career!!

All friends and colleagues at IVMA and across business congratulate Ted Smithies as another of SLSA’s Masters Legends. Ted has always told us that he was a legend, just ask his mates!!

Alan Butler

Hon Secretary, IVMA
Member, Queenscliff SLSC



What is ‘best value for money?’

What is Value? How is it Created? and Who Captures it?

Academics have been asking – and answering these questions for centuries but one paper consolidates the argument regarding the creation of value for money and more specifically ‘best value for money’.

Cliff Bowman and Véronique Ambrosini (1) start with the following definitions:

Use Value: This refers to the specific qualities of the product perceived by customers in relation to their needs. So judgements about use value are subjective. In other words, use value is *perceived* by the customer.

But just how ‘subjective’ are customers’ judgements?

For centuries economists relied on *homo economicus* as the customer: a hypothetical person who behaves in exact accordance with their rational self-interest.

“... using rational assessments. *Homo economicus* attempts to maximize utility as a consumer and economic profit as a producer”.

In today’s consumer society, customers have a variety of resources from which to obtain information on the performance and therefore the potential value of purchases.

They can consult friends, business associates and known users of a particular product or service or more frequently now by reference to processes such as product and service reviews, opinions in the media and more formal evaluations such as those undertaken by the likes of ‘Choice’ magazine.

In reality, the authors conclude, “customers spend their money on what will give them most satisfaction”.

Perceived Use Value: This is the price the customer is prepared to pay for the product if there is a single source of supply.

Exchange Value: This can only be realised at the point of sale.

Value Creation: This critical element is achieved by employees with varying skills and abilities working across a number of firms or organisations. Organisations need to develop insights as to the knowledge and skills they require and the individuals who can provide these attributes.

To be successful, organisations need to acquire and effectively manage these skills both in-house and in collaboration with others. It is these employees who are the generators of the organisation’s surplus, or profit.

Value Capture: This is determined by power relationships between the parties; whether this is the organisation producing the product or service and customers or within the organisation itself.

We saw in **Value Creation** that it is the employees in the ‘engine room’ of the organisation whose work creates most of the value that the organisation itself captures by sales but it is the more senior people in the organisation who gain the lion’s share of the reward.

For example, the Economic Policy Institute reported that from 1978 to 2023, remuneration for chief executives at major companies in the United States increased by 1,085% while the typical worker’s earnings rose by only 24%.

In 2023, CEOs were paid 290 times as much as a typical worker — in contrast to 1965, when they were paid 21 times as much as a typical worker.

Value for Money: This is the difference between the customer’s valuation of the product and the price paid — known as the Consumer Surplus. Effectively the price the customer is prepared to pay is Price + Consumer Surplus. Consumer Surplus is what consumers colloquially refer to as **value for money**.

*To be successful,
organisations need to
acquire and effectively
manage these skills...*

Best Value for Money: Customers choose the product that will confer on them the **largest** consumer surplus, i.e. **best value for money**.

Consumer surplus can be increased by further enhancing the perceived use value of the product or service for the particular consumer, or by lowering the price, or both, thus delivering **best value for money** for that particular consumer.

So if you are providing a product or service, the closer you are able to achieve the customer’s *Use Value*, the more successful you will be.

It follows then that consumers should have an input into the design and marketing of the products and services they consume and that, properly managed, this should deliver benefits for all participants; suppliers, producers, and consumers.

Value management (VM) is an indispensable tool to assist in delivering value for money. It operates on ‘both sides of the coin’ — initially in identifying what the consumer desires and is prepared to pay for, and then on the production side of the equation managing the disparate resources necessary to deliver that product or service.

The products and services can be as varied as a health care facility, a transportation system or a consumer product.

Continued next page

What is ‘best value for money?’ – continued

In VM, the Value Triangle becomes a crucial pivot between the customers and the producer. Once customer representatives have formulated this important tool, which defines the Primary Purpose of the product or service, the Value Triangle (plus the other results of the customer VM study) forms the structure of the brief to the producers.

This will clarify the skills that the producer organisation will need to have, or acquire, and forms the basis of a VM approach to managing those skills to deliver best value for money.

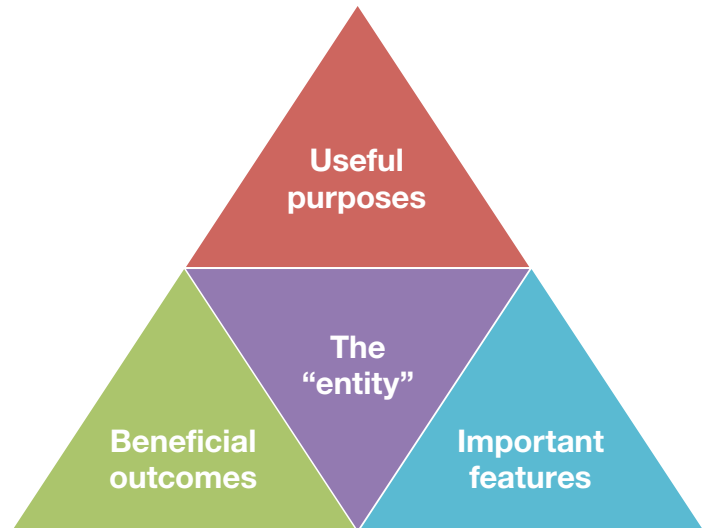
Essentially this is the process that has been followed by many Public Works organisations in Australia and some commercial product developers.

Overseas a wide variety of organisations use VM, either mandated or on a voluntary basis, to deliver better outcomes for their customers and users.

(1). *Thank you to George Scott, Manager Program Integration, BHP Group Limited for drawing our attention to the article ‘Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy’ by Cliff Bowman and Véronique Ambrosini.*

John Bushell

Chair Publications and Events Committee
IVMA



The concept of “value” as defined in AS 4183

China’s power and emissions challenge

So – what is China doing about its enormous electricity demand?

Australian commentators are often heard to be urging China to reduce its enormous level of greenhouse gas emissions.

Yes, China’s greenhouse gas emissions are very high but that can be expected because its population is 53 times greater than Australia’s!

Coincidentally, in 2023 ‘clean energy’ in both Australia and China delivered 35% of total electricity supply.

However, in that year China added 298 gigawatts of renewable energy (and just 1.4 gigawatts of nuclear power) and Australia added 5.9 gigawatts of renewable energy, one 50th of China’s total.

So, on a per-capita basis, Australia and China are presently adding renewable energy at a similar pace.

In 2024, the percentage of new car sales that were electric was 40% in China and 10% in Australia.

As a final point, in gross terms, China is way ahead of every other country because in 2023 its renewable energy supply comprised 37.5% of total renewable energy globally.

Australia's Existential Dilemmas

Introduction

Australia is at a critical juncture where it finds itself facing complex decisions and significantly higher costs for two services vital for its survival: defence and energy supply.

Simultaneously the USA's 'America first', more isolationist, policy with its focus on the expansion of fossil fuels in preference to renewable energy puts many nations, Australia in particular, in a vulnerable position regarding both their physical and energy security.

In March this year the Carlyle Global Investment Company issued a very perceptive view of the current and rapidly emerging security situation globally titled 'The New Joule Order'.

With the USA beating a rapid retreat from being 'the global policeman', the risks of moving bulky energy resources like coal, oil and gas around the world rise considerably as global maritime security becomes less certain.

This, Carlyle believes, will accelerate moves by various nations to simultaneously de-risk and decarbonise their economies by accelerating the move away from fossil fuels and towards renewable and nuclear energy.

Importantly, in the case of both dilemmas, Australia has alternative courses of action available to it — if it grasps the initiative.

Defence

Australia's current annual Defence spending is \$56 billion per year, 2.05% of gross domestic product (GDP).

In March this year, the Federal Government announced it would increase Defence funding to more than 2.3% (a 12% increase in funding) starting in financial year 2027/28.

This additional funding for both operational and capital costs will lift Defence's share of government spending from about 8.2% now to about 9.7% by 2032-33.

Australia has alternative courses of action available to it — if it grasps the initiative.

Further pressure is being placed on Australia's defence spending from Donald Trump's choice of Under-Secretary of Defence at the Pentagon, Elbridge Colby, and from NATO Secretary General Mark Rutte both of whom are asking Australia to lift its Defence expenditure to 3% of GDP.

A number of Australian Defence experts, including former Australian Defence Force Chief Angus Houston, former Defence Department boss Dennis Richardson and former Home Affairs Department boss Mike Pezzullo, have also called for Australia to lift defence spending to 3% of GDP.

If you are asked to increase expenditure in any situation, be it household, commerce, industry or the public sector, it is usually wise to pause and ask yourself if you are getting the necessary results and value from the money you are spending already.

In the case of Australia's Department of Defence, independent inquiries over many years into its acquisition process found that in many cases the mandated acquisition process was not followed. In light of this, the required functionality and value for money was often neither achieved nor achieved at the lowest total cost of ownership.

In Value Times (VT) editions of Summer and Autumn 2024 we reviewed the results of specific inquiries into the Defence acquisition process. You can access these publications on the front page of the Institute's website: <https://ivma.org.au/>

Specific examples include, in the Summer 2024 edition of VT, New Commonwealth

Procurement Rules which included requirements for 'stakeholder input' and 'accountable and transparent decision making'.

This edition also includes a summary of a parliamentary inquiry into Commonwealth Procurement that made 19 comprehensive recommendations on matters that the 18-person committee identified as critical for improvement in achieving transparency of process and achievement of value for money in the long-term.

Also in the Summer 2024 VT is a summary of the Australian National Audit Office (ANAO) audit of the procurement of the Department of Defence's procurement of 9 Hunter Class frigates.

The audit found numerous major deviations from the mandated procurement process which, had the process been followed, could potentially have saved Defence (and the taxpayer) a significant sum and produced better value ships.

The Autumn 2024 edition of VT describes the early introduction of Value Engineering, the American equivalent of Value Management, into American Defense procurement in 1954 and its continued use today.

Of course the whole of Australia's Federal Government acquisition process is complicated by the existence of some 705 lobbyists in Canberra who work for specific firms and outnumber the 227 members of parliament by a factor of three.

The Commonwealth lobbying system was described in a 2020 report by the

Australia's Existential Dilemmas – continued

Australian National Audit Office as a “light touch” approach to regulation.

There is plenty of evidence to suggest that, since the seismic shift in the Western defence structure and responsibilities in January this year, there is an urgent need to improve Australian Defence acquisition processes to optimise value for money in acquisitions and ongoing operations before allocating further taxpayer funds to these increasingly critical activities.

Australia's Energy Supply

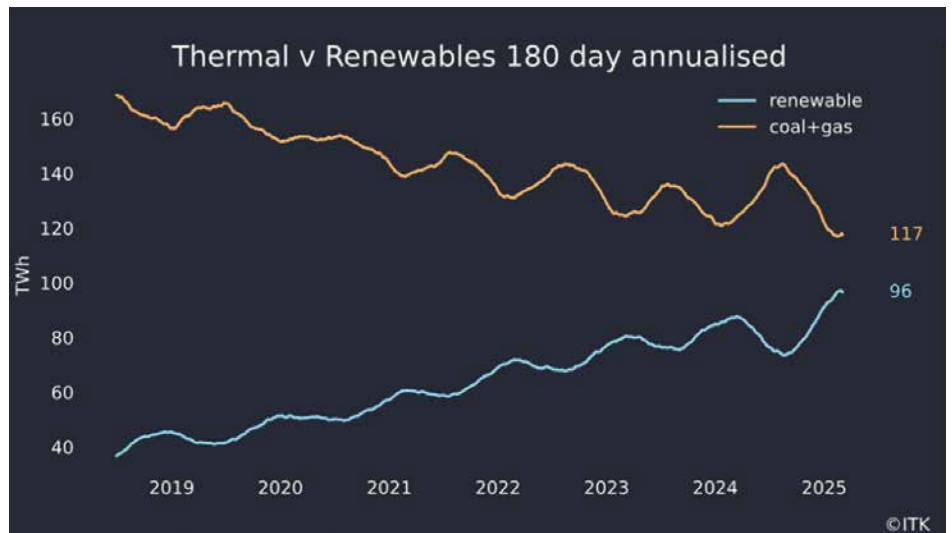
Introduction

The Australian Energy Market Operator (AEMO) manages electricity supply along the east coast of Australia plus the ACT and South Australia.

AEMO has developed its Integrated Systems Plan in compliance with the Labor government commitment to ensure that Australia can achieve 82% renewable energy and 43% greenhouse gas emissions reduction by 2030 (from a 2005 base).

AEMO's Step Change Plan will also meet Australia's commitment to the 2015 Paris Agreement to keep global warming to 'well below 2 degrees of temperature rise above pre-industrial conditions'.

The present 'state of the nation' with regards to decarbonisation of the energy



system and energy autonomy is illustrated by the above graph.

Background

From 2018 to 2023 global electricity delivered to customers changed as shown in the following table that also shows average global electricity costs in 2024.

Conventional energy projects are notorious for construction cost overruns and in the Spring 2024 Value Times (VT) there is a table on page 2 that shows that in over 30 years of records, solar and wind projects have the lowest cost overruns and nuclear

projects have the highest cost overruns — except for Olympic Games projects!

On Page 4 of the same edition there is a summary of the latest woes of Britain's Hinkley Point C nuclear power station, which are considerable — particularly when you consider that, EDF, the French company constructing it is one of the most experienced nuclear energy contractors in the world.

The International Energy Agency advised in January 2025 that solar and wind energy generation is being installed globally five times faster than all other new electricity

Energy Source	2018 – 2023 Change in energy delivered to consumers (%)	2024 Average Electricity Costs (\$/MWhr)
Utility Solar PV	+ 193	61
Onshore Wind	+ 80	50
Gas (Combined Cycle)	+ 7.8	76
Coal	+ 3.3	169
Nuclear	- 1.1	182

2018 to 2023 Electricity Delivered to Consumers & Global 2024 Electricity Costs

(Sources: stastica.com and Lazards International Bankers)

sources combined and it forecasts that renewable generation capacity globally in the six years from 2024 to 2030 will be triple that added in the preceding six years (from 2017 to 2023).

Labor Plan

The Labor plan, which is the AEMO Step Change Plan, is to increase the 2024 electricity supply by 139% by 2050.

It will supply 99% of electricity by renewable energy (solar photovoltaic, wind and hydro) including electricity storage, plus 1% by gas peaker plants.

The plan is considered feasible by AEMO and industry but is not without risks — which have been identified by the stakeholders.

The generation ramp up required is significant and can only be met by the highly modularised construction methodologies inherent in solar and wind-generated electricity.

This approach has been characterised as ‘Smart Scaling’ by Oxford Global Projects (see the Spring 2024 edition of VT, page 3). Practically, these are the only methods that are capable of adding sufficient generation capacity to meet Australia’s 2050 Paris Agreement target.

The Labor / AEMO plan proposes that 53% of the additional electricity to be supplied between 2024 and 2050 will be commercially financed with the remainder (mainly rooftop solar plus other on-site generation) will be privately financed by households and businesses.

Coalition Plan

In December 2024 the Leader of the Opposition, Peter Dutton, announced that the Coalition’s energy plan for the AEMO network is for a 44% increase in electricity supply by 2050; 62% supplied by renewable energy including electricity storage plus 38% by nuclear power.



"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

This significant shortfall in forecast electricity demand would leave much of transportation, housing and industry receiving its energy from fossil fuel sources. These sources are subject to global market pricing and the risks associated with shipping logistics.

Further, the Australia Institute found that the ongoing reliance on fossil fuels under the Coalition’s energy plan will result in Australia’s domestic greenhouse gas emissions being 1 billion tonnes greater than under the Labor / AEMO plan resulting in an estimated \$240 billion cost to our economy, society and environment as a result of climate change induced damage.

This is a consequence of reduced use of renewable energy and additional coal and gas use before the earliest date that nuclear energy may be available in 2040 plus the inadequacy of the proposed electricity

supply for the expected size of Australia’s future economy.

The Coalition’s energy plan would therefore not achieve Australia’s commitment to the 2015 Paris Agreement.

There is too a fundamental problem in mixing low-cost renewable energy with any form of baseload power be it coal, gas or nuclear.

Renewable energy produces a solar ‘duck shaped demand curve’ where electricity is so plentiful in the middle of most days that it has a very low market value.

Baseload electricity is more expensive in most nations’ electricity markets than renewable power and it is also not easy to adjust the supply to match demand.

The result is that owners of baseload electricity generators loose money when competing with renewable energy.

Continued next page

Australia's Existential Dilemmas – continued

In an all-renewable system (plus about 1% of gas peaker electricity supply) the solar 'duck shaped demand curve' and other supply variations are 'soaked up' by pumped-hydro or battery storage, whose capacity typically consists of about 13% of the energy generation system.

Further, if it is not proposed to supply enough electricity to eliminate the use of fossil fuels in electricity generation why would you employ low-emissions nuclear power with its associated high cost and slow construction?

A curious person might also ask why, since the School of Photovoltaic and Renewable Engineering in the University of New South Wales invented and developed the most successfully commercialised solar photovoltaic technology internationally, anyone would now propose introducing wholly imported nuclear technology most definitely not invented here.

The Coalition has stated that it proposes to publicly fund extending the life of coal and gas-fired generation before nuclear power becomes available and that nuclear power would be commercially financed.

The viability of commercial financing of nuclear power stations in Australia is not supported by major energy investors

The viability of commercial financing of nuclear power stations in Australia is not supported by major energy investors.

including AGL, Origin Energy, Atlinta Energy and Cbus Super resulting in a high probability that taxpayers would again foot the bill should this proposal proceed.

Conclusion

To successfully navigate and coordinate these existential and linked problems will require exceptional skills and a close focus on the present and future functional needs – unhindered by historic constraints and sectional interest groups.

The Value Triangle is a remarkably useful place to start because it enables disparate participants to focus and define what is really required to manage these critical and potentially existential matters.

Ross Gittins in the Sydney Morning Herald summarised very well the 'what' and the 'why' of improving the efficacy, effectiveness and efficiency of government in his article, "Forget smaller government, let's shoot for better government" – reprinted in the Spring 2024 Value Times.

Included in the article is the advice of the government's creation last year of the Australian Centre for Evaluation under the guidance of academic economist, Dr Andrew Leigh. There would appear to be no shortage of work for Dr Leigh and his evaluation centre.

John Bushell

Chair Publications and Events Committee
IVMA