



LOST AUTHORITY

For Steve Rix, the much-vaunted trend to corporatisation isn't all it's cracked up to be.

Since NSW Premier Greiner first announced a policy of "corporatisation", it has become clear that the notion embodies a radically conservative re-articulation of the relationship between an elected legislature (and the government) and the goals, methods and management of statutory authorities. Nationally, the Industry Commission has provided a forum for demands for similar changes of other states.

Corporatisation means, in its simplest terms, the application of private sector forms and methods to statutory authorities, including the application of securities legislation to issues of accountability.

Greiner maintains that a private sector corporate structure is appropriate for statutory authorities because the responsible minister and the treasurer will become shareholders of a company which operates, as he has expressed it, "under the ordinary laws of commerce". This is a disturbing development. It implies that governments own statutory authorities and, as the owners, they have the right to abrogate their responsibility to manage them. And further, that it is the appointed managers' right to withhold information from the shareholders and, ultimately, from the citizens.

Bob Walker, Professor of Accounting at the University of NSW, has noted that the "ordinary laws of commerce" would permit the formation of exempt proprietary companies which do not have to publish any financial information. It is impossible to square this feature of corporatisation with the touted aim of increased accountability. For instance, the recent history of Australian corporate structures and the degree to which shareholders have been protected illustrates that there is no inevitability of shareholders being kept "fully informed of developments". Moreover, one can only respond with incredulity to the concept of shareholder democracy given the ex-

perience of small shareholders in the October 1987 sharemarket crash and in the recent spate of corporate debacles.

It is not just Professor Walker who has difficulty with Premier Greiner's approach. The Western Australian Burt Commission, set up to investigate WA Inc, concluded:

The Commission is of the opinion that there is a fundamental difference between the ideas of accountability and of public scrutiny when applied to the investment decisions of individuals, partnerships and companies incorporated under the Companies Code on the one hand, and the investment activities of government agencies on the other.

So far, most statutory authorities have been subject to the Public Finance and Audit Acts, or their equivalent. The corporatised authorities in NSW have been specifically exempted from that state's Act.

It is important in this context to understand that a statutory authority is a body established under its own legislation; a government department is established by administrative decision.

The actual form that a statutory authority can take varies. Qantas is a company, the Reserve Bank is not; Telecom is a statutory authority created by the Whitlam government from the old Postmaster General's Department, as is Australia Post; the NSW Government Insurance Office runs the operations of a number of failed private insurers, and the old Department of Main Roads was, in fact, a statutory authority; the electricity commissions are statutory authorities, the NSW Elcom having taken over electricity generation from local government; the state railways and private companies, and the country councils are statutory authorities even though (up to the present) their boards have been made up of local government representatives. The Industry Commission is a statutory authority created out of the Industries Assistance Commission, which was the Whitlam government's replacement for the Tariff Board.

Statutory authorities can be created or destroyed for various reasons. In Australia, they have tended to be created in order to distance their operations from the "interference" of government. One thing, however, has remained constant: the understanding that statutory authorities are owned, not by governments, but by the citizens. The change in orientation that Greiner has initiated radically changes the nexus between citizens, governments and public sector institutions and assets. In effect, it reduces the accountability of governments to citizens for their management of the citizens' property.

While historically the labour movement has been opposed to attempts by governments to remove public sector institutions and assets from political control, the issue has now become one of degree. Statutory authorities were traditionally seen as one step removed from direct political control; the danger now is that corporatised authorities will be able to take themselves totally out of the political arena.

In developing an appropriate political response to current developments, however, it is important to understand that government departments in Britain and Australia did not precede statutory authorities. Ministerial departments were initially created to supervise the operations of statutory authorities. Statutory authorities and departments were themselves created in order to protect governments from the financial excesses, and citizens from the human deprivations of contractors, including in the area of prison control.

Rather than making blanket prescriptions of government "interference", the labour movement's experience of statutory authorities indicates that ultimate political control is necessary. Without this ultimate control, for instance, the provision of a safe and reliable electricity service to the bulk of the Australian population would not have occurred with the rapidity we have enjoyed. This does not mean that governments should be involved in each and every decision of the authorities; nor are governments intimately involved in each and every decision of departments.

Another interesting feature of privatisation in the United Kingdom is that the government has found it necessary to retain ultimate political control via the holding of "golden shares" which give it majority shareholding power in the event of a "crisis" (as defined by the government).

On the national front, the Industry Commission has produced two reports which have recommended corporatisation as a second best alternative to privatisation—the Government (Non-Tax) Charges and the draft Energy Generation and Distribution reports. In making this recommendation, it has failed completely to take these historical and political realities into account. Nor have they taken into account recent findings on the relative efficiency of private and public sector institutions and management methods. For instance, a recent paper produced by the Economic Planning and Advisory Council (EPAC) concluded that international comparisons between Australian and overseas organisations (some of which are privately owned and operated) are difficult—due partly to measure-

ment differences and partly to institutional differences—and that the differences in measures efficiency may be due to this factor.

Nevertheless, it concluded that "the possibility of flaws in international comparisons does not establish the contrary proposition that electricity generation in Australia involves world best levels of productivity" (EPAC Paper No. 44, *The Size and Efficiency of the Public Sector*, p.90).

The foregoing comments should not be taken as justifying a maintenance of the status quo in public administration. Neither has the labour movement rejected out of hand that significant amendment to the "way things are done" in the public sector is necessary. Three Evatt Foundation publications have all suggested ways in which the public sector could be made more accountable and efficient.

What has been suggested, however, is that without a precise understanding of the ultimate ownership of public sector institutions and assets, programs such as corporatisation threaten the right of the ultimate owners (the citizens) to participate in decision-making about their goals and operations. This would be a step back from the political gains made by progressives over many decades.

STEVE RIX is currently working on a project on electricity generation for the Public Sector Research Centre at the University of NSW.



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