

Divestment of Commonwealth Public Enterprises in Australia: The Cupboard is Bare

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Abstract

Public enterprises have played a major role in the national development of Australia since the early years of European settlement. More recently, especially since the 1980s, Australian governments at national and state levels, involving political parties of both the left and right, have undertaken a program of major reform of their public sectors. The relentless pace of reform has been driven by a variety of motives from pragmatic through to ideological, within a broad consensus that private delivery of services should be privileged over public. As a result, discourse about public enterprises in Australia has tended to focus on divestment and windfall revenues to assist governments to balance their budgets. The analysis in this paper will detail the major players at the national level, their governance arrangements and some consideration of how these enterprises have performed. We will also outline how the public mission of public enterprises has transformed in recent decades from a role as nation builder to one as enabler of services. In conclusion we will consider the long-term outlook including the loss of public value with declining standards of service and the reduced opportunities for further divestments with pressure on governments to seek alternative savings and revenue arrangements.

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Introduction

Institutional factors and both ideological and pragmatic politics have influenced the development and nature of public enterprises at national level in Australia. Constitutional arrangements have partly determined areas of activity pursued by public enterprises at both the Commonwealth² and state levels. Development patterns, the “tyranny of distance”, natural resources, scarcity of private investment funds and market failures, have all contributed to the character and structure of these enterprises. Banking, energy, transport, telecommunications, health, superannuation and insurance have all experienced a wide range of public and private arrangements within the market based economy. As a result of its recent history, Australian political culture now supports a lesser degree of government participation in the market with specific attention to advance universal service delivery obligations. An ongoing engagement with debates on privatisation since the 1980s, by political parties of the right and left, continues to re-shape government activity across established and emerging activities. The primary shift over the past fifty or so years has been a transition from public enterprise as an “engine room” for national development to one where those enterprises which have remained in public ownership provide useful cash flows to government as they are typically expected to operate on a commercial basis.

Australian governments have traditionally played a significant role as an owner, funder and provider of services to the public. Since European settlement in 1788, Australians have had a heavy reliance on government, and governments of all persuasions have been attracted to the notion of a strong state tradition (Wettenhall, 2006). This culminated in what Kelly (1992) referred to as the “Australian Settlement”, a social compact which promoted development based on white immigration, industry protection, and a social protection system based on wages being centrally determined via arbitration and conciliation. As Keating (2004) argued, Australians have

¹ This reference is to the nursery rhyme, ‘Old Mother Hubbard went to the cupboard to get her poor dog a bone, when she got there, the cupboard was bare, and the poor dog had none’.

² In this paper the national (or federal) government is referred to as “the Commonwealth”.

long looked to government for answers, welfare and security. Indeed in the 1930s it was noted that “Australian democracy has come to look upon the State as a vast public utility” (Hancock, 1945, p. 2) with its long history of using public enterprise to achieve social and policy goals. By the late twentieth century, Australian governments operated enterprises across a range of industries, both competitive (for example, insurance, banking) and monopolistic (for example, electricity, airports, telecommunications). The combined value of these activities comprised about 9.8% of the nation’s GDP (Marsden, 1998).

This affinity with public enterprise has, however, changed as divestment activity has accelerated over the past three decades, especially in relation to public enterprises. In a general trend away from the public state towards the private state, Australia has joined many other countries in the world in adopting privatisation practices. Indeed, it has emerged as a notable reformer, impressive in both the scale and scope of its privatisation. This has been especially the case across three key areas — divestment of public enterprises, outsourcing of the delivery of public services, and increases in cost recovery by government agencies. Publicly-owned economic enterprises like banks, airlines, telecoms, postal services, seaports, and airports have all been divested, with the proceeds from sales being used primarily to reduce government debt. While some traditional public enterprises remain, the contemporary focus of government activity tends to be on the regulatory oversight of public enterprises, and their facilitation and advisory functions, rather than on their ownership arrangements. Indeed, there are now so few public enterprises remaining under government ownership that more recent attempts at divestment have led some commentators to the view that “the cupboard is bare”; that future divestments would need to be accelerated at state government level, with the Commonwealth role focused on offering inducements to those states which divest their enterprises (Coorey, 2013). While there has been considerable privatising activity at state government level, this paper will focus on public enterprises within the Commonwealth government’s remit.

Public Enterprise Policy

The evidence presented in the Australian case is one of broad agreement on public enterprise policy transformation from public enterprise with a role in national development towards a more complex role in facilitation, contracting and regulation of the economy. However, the trajectories taken by the major political parties underline significant differences between them, especially with regard to their motives for divesting public enterprises. Labor was concerned that enterprises would only be divested if they operated in competitive environments and that community service obligations could be retained. By contrast, the conservative parties adopted a policy based on primacy of private over public ownership.

In 1982, the Australian Labor Party (Labor) endorsed the traditional importance of public ownership in committing the Party to the “establishment and development of public enterprises, based upon federal, state and other forms of social ownership, in appropriate sectors of the economy” (ALP, 1982). However, by 1986 this policy was more pragmatic in its implementation, with the Minister for Finance, Senator Peter Walsh arguing that “if its cheaper to put the control of operations of public enterprises into private hands, then I’d like to do it that way.” Walsh went on to suggest that he had no particular ideological preference for public or private ownership, “I simply say to the Leader of the Opposition that, unlike the Opposition, my Government is not a captive of any privatisation ideology” (Walsh, 1986).

While assuming indifference to ownership, public or private, Labor was particularly concerned about competition as a driver of change to modernise a broad range of functions and services in government. It sought to expose public enterprises to competition and, where a sector was highly competitive, it divested government involvement. In bringing to an end Australia’s longstanding preference for public enterprise in areas such as banking, airlines, public utilities and telecommunications, Labor adopted a *pragmatic* and *tactical* policy (Feigenbaum and Henig, 1994) in determining which enterprises would be privatised: enterprises in monopoly markets such as airports, or those which had significant community service obligations such as Australia

Post and Telecom, remained in government ownership, while public enterprises in competitive markets such as banking (the Commonwealth Bank) and airlines (Qantas) were divested. Ownership, public or private, was not the primary goal of Labor's divestment policies; rather it was the need to ensure high performance in competitive environments, as well as protecting the public interest involved (Aulich and O'Flynn, 2007). Having satisfied Labor's tests, these enterprise sales were aimed at reducing the budget deficit, addressing the growing debt problem, funding popular government programs, and providing an avenue to escape future funding of capital expenditure (Beckett, 1992). It has been estimated that divestment during the 1980s yielded around \$6.7b³ for the government coffers (Aulich and O'Flynn, 2007).

Even after Labor's tranche of divestments, Commonwealth public enterprises continued to contribute significantly to the Australian economy. Public enterprises generated nearly \$21b in revenue, provided dividends to the government of \$1.6b, controlled assets of approximately \$41b, produced an average return on assets of 12.8 per cent and comprised 7% of GDP, 9% of employment and 14% of gross fixed capital expenditure (ANAO, 1997, p. ix; Abbott and Cohen, 2014).

By contrast with Labor, the Liberal-National Coalition parties adopted a more ideological position, declaring that the private sector was intrinsically better able to deliver the services of the public enterprises more efficiently and effectively and sought to downsize the public sector by divesting many public enterprises. Prime Minister Howard (1981; 1995) had earlier argued that individuals rather than government were inherently better at making decisions about their future, and he was "profoundly suspicious" of what governments could achieve, arguing that "governments control, while the private sector provides enterprise". This policy position was not surprising given that in the 1980s, the Coalition had developed a privatisation "hit list" which included a wide range of public enterprises (LNP, 1988).

The election of the Liberal-National Coalition government in 1996 brought with it a different strategy, which is best seen as *systemic* or political (Feigenbaum and Henig, 1994). Consistent with these views, the Howard government accelerated the pace and scope of privatisation, especially through divestment of public enterprises. The core principle of the Howard government's approach was captured in a speech by the Minister responsible for the public sector. In this speech, he argued that the government took a "Yellow Pages" approach to public enterprise – if such services existed in the Yellow Pages telephone directory there was no reason why they should be provided by government (Kemp, 1997). The Howard government accrued \$61 billion from divestment of public enterprises between 1996 and 2008 (di Marco, Pirie and Au-Yeung, 2009) with a further 5.68b raised from the divestment by the Abbott government of the government health insurance agency, Medibank Private (Mayne, 2015).

During this period, Australia undertook the largest disposal of assets in its history (see Table 1). Asset sales also included commercial entities operating within government departments, though not officially designated as public enterprises. In its first budget the government announced that it would divest itself of these services such as property maintenance and car fleet management.

TABLE 1 ABOUT HERE

In the period immediately following the 1996 election the prime driver of the mergers and acquisitions market was the divestment of public enterprises (J P Morgan, 1998). Divestments included a wide range of enterprises such as the national shipping line (\$20.7m), Australian Defence Industries (\$346.8m) and the first tranche of the sale of the national telecommunication company, Telstra (\$16b). Telstra represented the most significant of these divestments given its

³ In this paper, all figures are in AUD.

iconic status in Australia, the political controversy surrounding the sale and its sheer size. The sale of Telstra was marketed as a way for “mums and dads” to become shareholders, thus helping the government to create a “capital-owning democracy” and turning Australia into one of the world’s leading shareholding nations (ASA, 2000, p. 19). Proceeds from the Telstra sales were directed in different ways, with some earmarked for specific programs or policy areas (\$1.5b for environmental programs, \$671m for a “social bonus”, \$2 billion for improvements in rural areas) as part of the political deals made at the time (Fahey, 1998). Significant returns from the Howard government privatisation program were applied to debt reduction – so much that in 2006 the Treasurer announced that the Australian government was “debt-free” having paid off \$96 billion in just over a decade (*The Australian*, 2006).

The total revenues realised from asset sales by the Commonwealth governments in the period from 1983 to 2013 was approximately 70.5b (or \$194b) in constant dollar terms. By 2011-12, public enterprise comprised 1.3% of GDP and there had been a decline to 1.8% of gross fixed capital expenditure (Abbott and Cohen, 2014).

In the past decade, however, the Australian divestment program has slowed considerably. This probably has more to do with the low numbers of public enterprises remaining for sale (“the cupboard was bare”), rather than a fundamental change in government approach, especially when conservative Coalition parties were in government. At one stage it appeared that the Howard government was adopting a more pragmatic approach to divestment with its abandonment of the sale of the iconic Snowy-Hydroelectric scheme and Medibank Private, the government-owned private health fund, after considerable public disquiet. However, the incoming Abbott government divested Medibank almost as soon as elected in 2013 and moved to accelerate further divestments at Commonwealth government level. The Abbott government also offered inducements to state governments to follow suit under a \$5b program called “Asset Recycling” that aimed to fast-track the construction of productivity-boosting infrastructure projects, on condition that state governments agree to privatise assets, especially in the energy, water and transport sectors (Australian Government, 2014). At the time of writing, there was little evidence available to gauge how effective these inducements have been. Importantly, there were no major divestments of public enterprises at national level under Labor governments from 2007-13.

Despite the re-emergence of divestment as a major policy of the current Coalition government, there are few public enterprises remaining at national level, and those that are slated for sale are unlikely to yield the level of revenues that were generated in the first decade of the twenty-first century (see Table 2). Indeed, it appears that many of the current public enterprises may become hybrid organisations, government-owned but expected to make commercial returns from some or all of their activities. For example, it has been predicted that the state broadcaster, the Australian Broadcasting Commission (ABC), may be required to introduce commercials to defray costs; and that the telecommunications carrier, National Broadband Network (NBN) might require users to self-fund the final link in the network from the public nodes to their dwellings. Australia Post is also under consideration for an overhaul, with privatisation strategies being discussed for more of its operations.

TABLE 2 ABOUT HERE

Governance Arrangements for Public Enterprises

In Australia the myriad of legal structures characteristic of a federal system has implications for consistency in the types of governance frameworks implemented for public enterprises. Differing funding and reporting obligations produced by various legislative instruments, policy settings or contractual arrangements applied to governance of public enterprises, typically lead to inconsistencies or problems in the resulting governance arrangements. Governance arrangements in public enterprises have been a source of dramatic changes for at least two decades largely based on management philosophies focused on performance and accountability (Ryan and Ng, 2000; JCPAA, 2002; CSA, 2013). Current debate in Australia reflects international concern about promoting improved governance in the broader public sector. Debate on public enterprises tends

to focus on institutional arrangements and on the roles and powers of their Boards.

Public enterprises established by the Commonwealth government since the 1990s fall under the *Commonwealth Authorities and Companies Act 1997*. Areas of activity include: the Murray Darling Basin Authority, with its focus on water distribution and environmental protection; the Clean Energy Finance Corporation to promote entrepreneurial activity in developing new sources of energy; and the *Future Fund* for the management of sovereign wealth funds, which was seed-funded by applying revenues from the sale of Telstra. The most contentious project undertaken by the federal government in the last decade is the National Broadband Network (NBN) as “Australia’s largest publicly owned infrastructure project since the 1950s” (JCNBN, 2012). Controversially, the NBN was established by the federal Labor government as a monopoly in the delivery of fibre-optic broadband services across the country. In recognition of the mixed performance of public agencies including public enterprises, the *Public Governance, Performance and Accountability Act 2013* (PGPA) was established by the then federal Labor government to ensure high standards of governance, accountability and performance across all Commonwealth entities including companies⁴. This focus on performance management is consistent with broader control over the performance of all government departments, agencies and entities.

Governance arrangements are typically established to ensure the enterprise can operate independently from government. The government appoints a board of Directors, whose role is ostensibly independent, to set the strategic direction for the enterprise, identify and manage risk, ensure compliance with the relevant legislation, and appoint the chief executive. Some boards also make decisions on marketing programmes and set contract and remuneration conditions for the senior managers. Boards appointed by the Commonwealth government, in contrast to many international counterparts, have a higher degree of autonomy especially in terms of strategic policy and personnel management. However, Australian boards are less free in terms of financial management and operations-level policy (Aulich et al., 2010). In Australia, directors are required to declare their pecuniary interests in relation to matters being considered by their board.

Section 109 of the Australian Constitution states that if the Commonwealth Parliament and a state parliament pass conflicting laws on the same subject, then the Commonwealth law overrides the state law, or the part of the state law that is inconsistent with it. The Commonwealth government also has a general power over *Corporations Law*. However, both Commonwealth and state level enterprises are typically established under specific enabling legislation, for example Commonwealth government’s managers of sovereign wealth funds are established through the *Future Fund Act 2006*. There has been a trend in recent years for governments to establish public enterprises under specific statutes. A survey of *Benchmarking Governance Practice in Commercialised Government Entities* conducted in 2009, revealed that more than half of Commonwealth government-owned corporations are established under statute, more than one-third operate under the *Commonwealth Authorities and Companies Act 1997*, and less than one-third operate under the *Corporations Act 2000*. Such patterns raised concerns within the policy community that this mixture produces uncertainty about differing funding and reporting obligations. Boards have raised concerns about increased costs as they need to seek professional advice on key governance issues like reporting, audit and accountability requirements. The passing of the *Public Governance, Performance and Accountability Act 2013* has removed many of these discrepancies.

There has often been poor governance and management when Board and management appointments are used as forms of political patronage (McAuley, 2014). The appointment of former politicians as members of boards is common practice at both the state and federal level – for example a former federal Treasurer was appointed as the Chair of the *FutureFund*.

⁴ Federal arrangements allow state governments some flexibility to adopt their own distinctive approaches and priorities. These include the provision of energy, water supply, rail networks, seaports, workers compensation, regional development corporations, public transport, and health services (see Colley and Head, 2013).

Recent debate in the policy community has encouraged a shift away from rules-based approaches to principles-based reporting by public enterprise boards, more consistently with the approaches of private sector boards (CSA, 2013; JCPAA, 2013). A principles-based approach is seen to provide insight into the decision-making of boards and allows boards to determine how they will meet the spirit of the principles. Governments appear to be convinced the success of an entity can be evaluated primarily by reference to its financial performance and position. Therefore, the provision of audited quantitative and qualitative performance information about the services provided is critical. A shift to principle based reporting has implications for the ability of governments to determine return on investment and broaden the expectation of boards to consider community service obligations in their decision-making. These issues were debated in the Commonwealth Parliament during the introduction of the PGPA 2013, which in many ways encouraged greater uniformity across both levels of the federal system (JCPAA, 2013).

Public Mission

Australian public enterprises have both commercial and non-commercial missions. These enterprises are expected to exhibit both productive and allocative efficiency. Community service obligations (CSO) tend to reflect the non-commercial activities undertaken by government trading enterprises at the direction of the government to achieve social policy objectives and public outcomes (PC, 2008). Governments have largely adopted a common view of CSOs as activities these enterprises would not choose to do on a commercial basis and which other businesses, either public or private, are not required by law to undertake (PC, 2008). The level of government and the sector in which the enterprise operates influences these objectives. As an example, the Australian Broadcasting Commission (ABC) contributes “social value to the communities in which it operates” (ABC, 2014, p. 104). It does this through activities such as emergency broadcasting, community service announcements that support Australian communities, providing access to broadcasting by those living in more remote communities, and contributing to the development of media organisations in the Asia-Pacific region. For most enterprises the economic and financial objectives take precedence and public good or public interest outcomes remain broad and vague. Other enterprises have purely commercial objectives and make no pretence of commitments to social obligations.

There has been some debate over the appropriate identification of CSOs in the reporting and governance requirements of public enterprises. The Productivity Commission, a government entity, argues that mandatory identification of CSOs and the transparent reporting of costing and funding methods help to “promote good governance but also reduces incentives to underfund CSOs” (PC, 2008, p. 41). While transparency has been emphasised in relevant policy documents by each jurisdiction, most enterprises do not disclose details of how CSOs are costed or arrangements relating to the payment of the CSO by government (PC, 2008, p. 46). The concern here is that inadequate compensation for CSOs can affect the financial performance of the enterprise, which in turn has the potential to impair commercial viability. “Underfunding a CSO could result in under-investment or higher prices for commercial services and the reduction of service quality” (PC, 2008, p. 39).

Aulich (2011) argues that over the past two decades the privatisation agenda in Australia has shifted the traditional reliance on government institutions to meet people’s needs to one where private and individual institutions have assumed a significant role in the delivery of public services. While improvements to service typically receive scant attention following privatisation, there is growing concern that in some cases the public missions of these privatised enterprises have been sacrificed with the transfer of ownership. For example, the claims that Australia’s airports are able to generate efficiencies and improved performance that government owners cannot is a difficult argument to sustain, especially in light of the performance of Sydney airport. In Sydney’s case, weak financial results are taking place against a background of increasing traffic volume indicators that should make it easier for the airport to generate profits than its predecessor public enterprise, the Federal Airports Corporation (Aulich, 2015). In the case of airports, at the time of divestment the government removed some of the regulatory controls that had applied to airport ownership and operations, by passing the *Airports Amendment Bill 2002*. The then

Minister for Regional Services, Territories and Local Government argued that this bill would remove unnecessary restrictions on the operation of general aviation airports and increase the scope for investment in airport operator companies (Tuckey, 2002).

The Productivity Commission has recognised that the largest airports do possess significant market power but concluded that aeronautical charges do not point to the inappropriate exercise of that market power (PC, 2012). The Commission commented favourably on the increased levels of investment in aeronautical infrastructure since privatisation, and that airports have not experienced the bottlenecks that have beset other infrastructure areas (PC, 2012). This is consistent with the expectations expressed by the Coalition government in terms of using market mechanisms to generate further private investment in infrastructure generally, and airports in particular. It does raise the issue of whether or not the government would have been prepared to invest as heavily in airports or whether the government owners would have been able or willing to make as much economic use of the limited land at airports as have the private owners.

However, this analysis of the effectiveness of airport performance under private ownership raises considerable skepticism regarding blanket claims that the private sector is much more effective than the public sector at liberating wealth from infrastructure assets. The former Prime Minister, John Howard, promoted the view that “there are good economic reasons for those airports to be operated by private industry” and that “the experience all around the world has been that privatised airports get run better” (Howard, 2002). In light of recent performance, it is difficult to justify a view that governments should *always* prefer private sector organisations to deliver public services and that the option of a government business entity might also be considered against private ownership. Nevertheless, persistent claims remain of abuse of market power in relation to non-aeronautical services, such as parking, as do concerns about the overall level of service delivery, especially aeronautical services.

Maintenance of public value is a prime concern with any divestment of public assets. This might include the transfers across time considering that future revenue streams will now accrue to the private sector from the sale of the public asset. Further, governments have traditionally had a difficult time understanding and forecasting the true value of their assets, given complex and uncertain future population, economic growth, travel patterns, and cash flows. Selling a public asset below its true value may capture definite windfalls in the near term, but may be a regrettable decision over the longer run.

The private sector should not be presumed to act in the public interest; clearly their primary accountability is to their shareholders. This means that governments are primarily responsible to ensure that the public interest is considered when determining any given asset divestment (or in the case of other forms of privatisation). The need to factor in “publicness” (Aulich, 2011) has not always been accepted by recent conservative governments in Australia and there have been cases where public assets have been divested and the public has either not been sufficiently well compensated from the sale or sufficiently protected after the sale where weak regulatory arrangements have been adopted. It appears that this problem has emerged more often in relation to the divestment of public monopolies, such as the Australian Wheat Board (see, for example, Botterill, 2012) and the airports (see above discussion). This contrasts markedly with the post-privatisation protections offered in other industries that were privatised in Australia, particularly those operating in contestable environments such as banking, insurance or airlines where the government liberalised entry arrangements to enable international providers to compete with the former government-owned enterprises.

Several important governance dimensions arise from this discussion. First, Australian governments have shifted their primary roles with respect to public enterprises from one as direct owner and provider of services to one of regulator. Specific agencies have been created or strengthened to undertake this role change. Second, governments of all political persuasions have been diligent in establishing stronger performance monitoring regimes. The regulatory regimes established have been important in enhancing the accountability of the new private sector

“owners” in many sectors, for example, banking and airports. The on-going annual monitoring conducted by government bodies such as the Australian Competition and Consumer Commission (ACCC), has proven significant in keeping a focus on performance standards and alerting the public and government to areas and functions where performance standards have been problematic. The full evaluation of airport service quality conducted by the Productivity Commission can be directly related to the public reporting of lower standards by the ACCC.

Public Discourse

In Australia political pragmatism moderates ideological preferences that shape the public discourse surrounding public enterprises. The political agenda has largely focused on enterprises that can be considered candidates for sale through some form of privatisation process, for example sale or, to a limited extent, lease arrangements. In recent years the federal government has been a major influence on the political agenda for reform of the public sector. In the context of ongoing austerity measures driven by expanding budget deficits, the Commonwealth government has been focused on selling specific assets and providing incentives to state governments to do likewise. In a report from the National Commission of Audit (NCOA), established in 2013, it was argued that there was \$13 billion of equity tied up in Commonwealth government commercial or semi commercial business enterprises. According to the NCOA it was the responsibility of governments to consider the privatisation potential of these assets: “The starting point of any programme would be those bodies, such as government business enterprises, that operate commercially and are ready for sale. Other bodies with potential for sale may first need to be put on a more commercial footing” (NCOA, 2014, p. 221). The NCOA encouraged the government to undertake scoping studies that would consider the “objectives for a sale, including: any community service obligations; regulatory or legislative requirements; actions required to prepare the business for sale; the industry in which the entity operates; and preferred method of sale” (NCOA, 2014, p. 221).

The Commonwealth government has offered state governments incentives to examine divestment potential of public enterprises. In the past, decisions to divest have been influenced by both pragmatic and systemic factors. Since the early 1990s arguments based on discontent with the performance of some state enterprises in driving economic efficiency have provided a support base for privatisation. The contemporary public discourse of budget crisis has re-framed the privatisation agenda as a “budget repair” and enhanced project delivery initiative. Since 2013 the Commonwealth government’s *Asset Recycling Initiative* (ARI) provided state governments incentives to privatise public enterprises and utilise most of the funds for new infrastructure projects. Infrastructure Australia recently identified \$139 billion in unsold national and state assets including ports, airports, freight, electricity and water assets that could be sold. The CEO of Infrastructure Partnerships Australia lauded the ARI as “a welcome, prudent and sensible policy that removes a major disincentive for state governments in recycling old assets to fund new projects” (Coorey 2013). This general approval of the asset recycling program leaves less room for more pragmatic approaches to privatising public enterprises on a case-by-case basis and applies financial incentives for states to privatise, irrespective of local or special considerations.

However, in appealing to their local constituencies the state Premiers have been careful to emphasise that, as attractive as privatisation may appear, they would need to present such divestment proposals to voters before any privatisation decisions were made (Coorey, 2013). What is largely hidden in the public debate, however, is the actual contribution of public enterprises to the fiscal position of each jurisdiction. Recent research has revealed that without state-owned electricity revenues, all other things being equal, the NSW Coalition government would have struggled to avoid deficits in every budget since its election in 2011 (Walker, 2015). While such evidence supports arguments for the long-term economic contribution of some public enterprises it tends to be ignored by governments pursuing a privatisation agenda. Some suggest that, despite the rhetoric of consultation and electoral mandates, state governments practice a form of “strategic misrepresentation” (Jones and Euske, 1991) through opaque accounting methods and data problems that limit analysis and benchmarking required for establishing the arguments for and against privatisation (Chester, 2015; PC, 2008; Walker, 2015).

Conclusions

Three decades of divestment of public enterprises represent a change in the nature of government in Australia, or at least how it chooses to go about delivering its programs to the public. After a long history of public enterprise, Wettenhall (2006, p. 36) observed that “public enterprise, social welfare and arbitral state images no longer tell us much about the ongoing Australian system”. Following decades of bipartisan support for public enterprise as a critical institution of nation building, Australia has essentially changed its mind. The motivations for this shift are multiple and entangled. Certainly there has been a sharp break from a pragmatic use of public enterprise to meet the socio-economic needs of Australians towards a more ideological program of divestment, but we suggest that the Australian story has involved a more complex mix of privatisation strategies.

Public enterprises in both national and state jurisdictions have been reduced in number over the past three decades, consistent with the small government focus of most governments, both conservative and progressive. Privatisation has provided significant budgetary relief for many governments, which in turn may have influenced decisions to privatise in marginal cases. The remaining public enterprises are typically those with important public missions, as governments have been unable or unwilling to find ways of measuring and accommodating the community service obligations of these bodies. For example, Australia Post has a statutory obligation to provide a universal postal rate for regular mail, in which less expensive services in cities cross-subsidise the more expensive services in remote communities.

What is most important is the change in the role of government from one primarily concerned with direct provision of services to a role focused on regulation of services, or one of enabling services to be provided by third parties from the private and not-for-profit sectors. Even where public enterprises remain, many have adopted quasi-privatisation mechanisms such as public-private partnerships (especially in infrastructure development) or utilise private sector agents through contract arrangements (such as the provision of employment services at national level).

It is difficult to foresee new public enterprises being established, but if so, the NBN may well serve as a model: the basic infrastructure is publicly funded and owned by government but the provision of services direct to homes will be subject to market arrangements. This mix of public and market-based approaches to infrastructure has attracted a degree of bipartisan support within this highly structured industry. However, the greater the revenue stream of new public enterprises, the more likely they would become vulnerable to privatisation, unless there were profound community service obligations that could not be avoided.

The Productivity Commission (2014, p. 64) has reviewed a number of divestments and concluded that “Australia’s experience with privatisation has been mixed...Above all, privatisation should be undertaken not for its own sake, but to achieve a more efficient outcome for the community at large”. On the matter of efficiency there has been no comprehensive review of the efficiency performance of the privatised companies in Australia (Abbott and Cohen, 2014). These authors note that “some privatisations have been a clear success. In other cases, however, most of the improvements in efficiency took place after corporatisation, rather than following privatisation” (Abbott and Cohen, 2014, p.1). The modest impacts of privatisation on efficiency are broadly consistent with other studies, such as Florio’s evaluation of British privatisations (Florio, 2004). In terms of whether or not privatisation increases overall welfare, again there is little robust data. We agree that attempts elsewhere are little more than “crude guesses” and a starting point for further research (Florio, 2014).

From the few available studies of post-privatisation performance of entities, it is clear that there is little robust evidence to suggest that change of ownership has by itself yielded superior performance. This underlines long held views that differences in performance between public and private organisations seem to depend less on ownership and more on other factors such as size, task, regulatory environment, management skill and technology. Despite this, however, the notion persists in some quarters that a change in ownership, public to private, will of itself enhance

organisational performance. Simple before-and-after analyses are generally inappropriate as regulatory environments typically change with divestment, leaving considerable research opportunities for further research in this area.

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Table 1: Howard Government Asset Sales (1996-2006)

Date	Item Divested	Sale Proceeds \$m
July 1996	Commonwealth Bank Secondary Public Share Offer (3) and share buy back	5,100
December 1996	Commonwealth Funds Management	62.5
January 1997	Avalon Airport Geelong Ltd	1.5 plus annual lease payments
May 1997	Phase 1 Airports (Melbourne, Brisbane, Perth)	3,337
July 1997	DASFLEET	408
September 1997	Australian Industry Development Corporation Ltd	155
November 1997	Telstra 1	14,200 plus \$3b in retained earnings
November 1997	Australian National Railways Commission	95.4
October/November 1997	Department of Administrative Services (various agencies and enterprises)	28.9
December 1997	Housing Loans Insurance Corporation	108
February 1998	Former Macleod Repatriation Hospital Site	1.75
April 1998	Australian Multimedia Enterprises Ltd	29.3
April 1998	Phase 2 Airports (Adelaide; Alice Springs; Canberra; Coolangatta; Darwin; Hobart; Launceston; Mt Isa; Parafield; Tennant Creek; and Townsville; Archerfield; Jandakot and Moorabbin)	730.75
June 1998	Auscript	1.1
December 1998-May 1999	Australian River Co. (Formerly ANL Ltd)	20.697
March 1999	National Transmission Network	650
October 1999	Telstra 2	16,000
November 1999	ADI Ltd	346.78
January 2000	Removals Australia	10.4
September 2001	Essendon Airport Ltd	22.044
February 2002	Combined sale of National Rail Corporation Ltd and NSW's Freight Rail Corporation (\$1172m total transaction value)	220
June 2002	Sale of Sydney (Kingsford Smith) Airport (\$1355m of SACL debt repaid in addition)	4233
December 2003	Sale of Sydney Basin Airports (Bankstown, Camden and Hoxton Park)	211.0
June 2004	ComLand Limited (\$25.3m of ComLand debt repaid in addition)	139.7
Total		46,113

Note: Figures are not in constant dollar terms

Sources: DOFA (2004), Fairbrother, Paddon and Teicher (2002), Mayne (2015).

Table 2: Cross Section of Public Enterprises Remaining in Government Ownership

Enterprise	Sector	Turnover ('000)	Employees	Financial Performance
ABC	Media Broadcasting	\$1.07b Federal funding \$157m from sales & services	4679	Total fair value measurement of assets in statement of financial position \$915,338m
Airservices	Transport- air navigation & aviation rescue services	\$1,020,839	4475	Net profit \$21m. Return on average equity 3.9% Final dividend for 2012-13 of \$10m paid in Feb 2014. Interim dividend for 2013-14 of \$6m paid in June 2014.
Future Fund	Sovereign wealth fund	\$13,513m	98	Total comprehensive income \$12,735,894m Returns per annum 3 years = 10.5% 1 year = 14.3%
Clean Energy Finance Corporation	Energy	\$41,787	50	CEFC is a not-for-profit entity and, working with co-financiers, its object is to facilitate increased flows of finance into the clean energy sector. Approx 7% ROI.
NBN Co	ICT	FY 2013 = \$16,4 FY 2014 = \$61m	2932	No dividend paid since 2009. Revenue increased by \$44m over FY 2013