
**DUAL
ACCOUNTABILITY
IN PRIMARY
INDUSTRIES
STATUTORY
ENTERPRISES**

MASTERS THESIS

Richard Price

Dec 1992

PREFACE

Just over three years ago I wrote the Explanatory Memorandum to the *Primary Industries and Energy Research and Development Bill*. It was a task not easily forgotten. I had approximately 150 clauses of the Bill to translate into some semblance of English and less than two days before it was required by Parliament. I can remember that it was the first thing I started doing one morning and that it consumed my every minute until late into the night. Given the time restraint, I had considered that the best approach to the task was to type it myself on a word-processor as I thought about what each clause was endeavouring to achieve. I could type a bit, but had never been required, until perhaps this dissertation, to type as furiously as I did that day.

It was towards midnight that I began to draw within sight of those last few clauses; the ones dealing with amendments to other legislation. At the time I thought I was alone, in a large unlit building, silent save the drone of my terminal. I was wrong. At the turn of midnight, a message from the bowels of the building flashed upon the screen: "Session terminated for back-up. Session terminated for back-up." Panicking, I rang the Computer Centre to ask what the message meant. I was assured that it was a routine, nightly procedure which would cause little delay and that I could soon resume use of my computer. "You did save your work regularly, didn't you?" I was asked before hanging-up.

To this very day I can still hear that simple question echo each time I sit before a computer. "Er... no, I don't think I did. In fact, I'm not sure I've saved the document at all since I started it," I replied.

"Oh", came the response, "that's too bad."

This was, I think, my only bad experience in my years of dealing with the various statutory authorities under the Primary Industries and Energy portfolio. Indeed, most of my time spent with these organisations over the past few years have been very rewarding. Perhaps it was naivety of youth, but as a student of public administration I could never understand why the organisations in which I had an intense professional interest did not capture the imagination of every academic with even a skerrick of interest in accountability and statutory enterprise authorities. Here, I thought, was an area where we led the world in terms of innovative administrative structures and accountability arrangements. My subsequent reading of British texts on social, or mutual, accountability confirmed, to my mind at least, that here in our humble rural research and marketing organisations we have a form of government administration which is unique in its direct accountability to those to whom the organisations are chartered to serve while maintaining strong accountability to government and parliament.

My interest in this area was no doubt fuelled by personal participation in the later stages of some of the most remarkable reforms to be introduced into primary industries public administration. In my involvement in the corporatisation of primary industry research funding administration, I was helping to put into effect new concepts of strategic and social accountability which had been envisaged by the Royal Committee on Australian Government Administration and pioneered by Minister John Kerin in the reform of statutory marketing authorities. My role, however, is humbled by the contributions of my colleagues and friends, Alan Newton, Ken Moore, Frank Meere and Peter Core, each of whom have also encouraged my subsequent studies in this area.

This dissertation attempts to capture much of my professional experience in the reforms, placing it in the framework of developments in accountability theory and agrarian institutions. While much of what I have written is based on contemporary and historical literature, parts inevitably recall my time in the research and marketing policy areas of the Department of Primary Industries and Energy and, more recently, in one of the research and development corporations dealt with by the dissertation. For obvious reasons, the sources of some of the statements and assertions in the dissertation cannot be openly acknowledged. Every attempt has been made, however, to avoid subjective analysis.

When embarking on this dissertation, I was pleased to find myself not alone in my enthusiasm for the administrative reforms in the primary industries portfolio. At the very institution where I studied, Professor Roger Wettenhall had been showing interest in these reforms within the broader context of his work on public enterprise. If I could have chosen a supervisor among any Australian scholar, I could not have found one more appropriate, knowledgeable and encouraging than Professor Wettenhall. I hope this dissertation does him justice, and I thank him for his kindness, patience and advice over recent months.

There are many others who also deserve praise for getting this work off the ground and eventually completed. Frank Meere and Ken Moore both taught me so much about the institutions with which I deal with, and have been inspirational to work with and have as friends. My running partners, Peter Core, Simon Hearn and Ian Farrow have also been valuable, although unsuspecting, advisers between gasps for air. Phil, Denise, Sandy, Amelia and Diana of the Land and Water Resources Research and Development Corporation must get credit for covering for me on my two month absence to write this dissertation - these are the people who are proving to me that the reforms can work!

Most gratitude must, however, go to Alan Newton, who needs to be acknowledged alongside John Kerin and Geoff Miller for devising and implementing the remarkable reforms which form the basis of this dissertation. Alan has not only been a greatly appreciated, and sorely needed, mentor for the whole of my working career, but a very dear friend over what is now approaching half of my life. He has contributed significantly to every aspect of my personal development.

The assistance of Dr Art Shulman of the University of Queensland, together with Alan Newton and Ken Moore in providing comments on drafts of this dissertation is warmly appreciated.

For Penny, I reserve special praise and love for particular patience and forbearance.

CONTENTS

Chapter 1: INTRODUCTION

Overview

Dissertation Objectives and Outline

Research Method

Literature Overview

The Subjects of Dual Accountability

Statutory Marketing Authorities

Research and Development Corporations/Councils

Chapter 2: TOWARDS DUAL ACCOUNTABILITY: THEORETICAL PERSPECTIVES

Chapter 3: TOWARDS DUAL ACCOUNTABILITY: INSTITUTIONAL PERSPECTIVES

Chapter 4: FROM MUTUAL TO DUAL ACCOUNTABILITY: THE PRIMACY INDUSTRY REFORMS OF THE 1980s

Chapter 5: THE INSTRUMENTS OF DUAL ACCOUNTABILITY: THEORIES AND REALITIES

Chapter 6: CONCLUSIONS

CHAPTER 1 INTRODUCTION

Overview

There exists a great body of scholarly work devoted to the administrative reform processes which took place throughout Australian public sectors during the 1980s. Little of this work, however, conveys the remarkable advances made in the institutional and accountability arrangements of many of the statutory functions under the Commonwealth primary industries portfolio.¹ The diversity and pervasiveness of reform in primary industries public administration is not just recent. Innovations over the past century provide rich material in the study of statutory authorities, public enterprise, corporatisation, strategic management in government, and accountability.

At the heart of primary industry portfolio reforms have been the statutory marketing and research funding functions. The institutions which support these functions have maintained predominant influence in the marketing of agricultural produce (Newton 1990: 120, Watson and Parish 1982: 326) and the setting of directions for rural research and development (Kerin and Cook 1989: 61, CSIRO 1992: xiii). These institutions have undergone many transformations over the years, but the guiding principle for their administrative and managerial arrangements has remained their statutory base and the recognition and participation of identifiable stakeholders in the accountability process. These stakeholders have principally been primary producers who, through compulsory levy payments imposed by legislation, provide the funding and statutory base necessary to support the research and marketing roles. Key reforms to the institutions have, therefore, centred on the scope of their statutory powers, their administrative form and the nature of their accountability to stakeholders.

The distinguishing feature about the primary industry statutory authorities is that for the most part they are not created as the result of government initiative, but rather at the behest of producer groups representing the stakeholders. This reflects a history of the agricultural community's ability to form co-operative relationships and maintain effective interest groups which have, at times, achieved a certain degree of influence over government decision-making (Considine 1985: 44)². More importantly, it also reflects a willingness on the part of government to enter into corporatist partnerships with these groups (Smith and Watson 1989: 223).

The evolving nature of these partnerships holds considerable historic interest in public administration theory. Statutory arrangements for primary industry functions have been at the forefront of developments in statutory organisation design, funding, management and control, not least because the institutions involved are in a unique position of having readily identifiable

groups of stakeholders. Implicit in their evolution has been an accountability framework which transcends the traditional Westminster model. Over time this transcendence has become more explicit to the stage that, in the past decade, acknowledgement of the fundamental right of stakeholders to be directly accounted to is enshrined in each institution's enabling legislation. In essence, government has formalised the processes of mutual accountability, discussed in the British context by Barker (1982) and Mackenzie (1975) and analysed in Chapter 2, for primary industry statutory authorities.

When announcing the reforms embracing the concept of legislated accountability to both parliament and stakeholders by Commonwealth Statutory Marketing Authorities (SMAs), the Minister for Primary Industry, John Kerin, elevated the role of primary producers from dominant participants on marketing boards to groups to whom more professional boards would be strategically answerable. Kerin's announcement gave coinage to the term 'dual accountability' to describe the new arrangements (Kerin 1986: 5)³. Similar accountability arrangements were introduced in 1986 for administering research funds through a number of statutory industry research councils. In 1989 John Kerin and the Minister for Resources, Peter Cook, corporatised these councils into Research and Development Corporations (RDCs), and in so doing extended the application of dual accountability beyond immediately identifiable stakeholders to include certain broadly based, non-levy paying community groups.

Hand in hand with reforms to the accountability arrangements has been the continuing decentralisation and corporatisation of the administrative structures of the primary industry functions. Many of the marketing functions have long been administered through a corporation structure and have accorded with prescriptions of managerialism well before it became the popular model for Australian public management in the 1980s. The combination of the strategic management and accountability processes as they now operate in the SMAs and RDCs provides a model which can contribute substantially to a number of public administration debates. For some years now, public administration has focused on theories of public choice, pluralism and corporatism (Davis et al 1988: 25-26), and more recently on the difficult balancing act in pursuing managerialism within a broader public choice context (Campbell and Halligan 1992:130). This dilemma has previously arisen in a number of guises, most notably in debate on the appropriate balance between the delegation of authority to institutions outside the traditional framework of government and the desire for popular control and accountability (see Smith and Hague 1971, Hague, Mackenzie and Barker 1975 and Barker 1982). A further dimension to this dilemma arises when the institution is also expected to perform a public enterprise role (see Ramanadham 1984). These administrative problems have largely been considered and resolved during the development of primary industry portfolio reforms, although their relevance to other areas of government administration remain, up until now, substantially unexplored.

Dissertation Objectives and Outline

It is the aim of this dissertation to explore the administrative development of primary industry research and marketing authorities and their relation and contribution to theories of accountability. Specifically, the dissertation will trace the evolutionary processes leading to dual accountability in primary industry authorities, describe the mechanisms of accountability, and contrast them with the operational realities experienced since their introduction.

The three key subject matters covered in the dissertation are primary industries, accountability and statutory authorities/public enterprises. Individually, each of these subjects has received considerable academic attention. However, the linkage between them remains a neglected field of study. This is perhaps not so surprising given the increasing urbanisation of Australian society since the second world war, and the subsequent concentration of academic institutions on matters non-agricultural (Quirk 1988: 46, Kerin, *The Australian*, 27 April 1988). This dissertation will attempt to braid these three subjects into a framework in which to discuss dual accountability (**Chapters 2 and 3**).

Implicit in this dissertation is the recognition of a role for government in agricultural research and marketing. **Chapter 3** will discuss this role and explore the development of agricultural institutions which have contributed to the evolution of dual accountability, including co-operatives, interest (producer) groups and producer- dominated advisory groups. **Chapter 4** will outline the progression from these sources to the SMAs and RDCs which exist today.

Chapter 5 describes the attributes of dual accountability, focusing on the mechanisms of accountability to parliament and stakeholders. The chapter will contrast the theories, encapsulated in legislation, with the realities of their implementation and operation. Comparisons will be drawn with private sector organisational, strategic management and accountability practices.

Research Method

A large part of this dissertation records the personal experience of the author, who has been involved in many aspects of primary industries statutory authorities for a number of years. The perspectives which are brought to bear in this work include those developed from both ends of the accountability process: involvement in the ministerial/departmental side of the relationship as well as in the authority side.

This work, however, attempts not to be subjective. It analyses the development of dual accountability from an historical and theoretical perspective, drawing on primary sources from the Department of Primary Industries and Energy (DPIE) and the research and marketing

authorities, and from secondary sources through literature and other investigative searches. Analysis of the realities of dual accountability draws on interviews with producer and other stakeholder groups, senior officials of DPIE, members of statutory selection committees, and staff, directors and chairpersons of RDCs, as well as on reports by the media, National Audit Office, Industry Commission, SMAs, RDCs and DPIE.

Literature Overview

The literature review for this dissertation focuses on the three key subjects outlined in the research objectives, namely accountability, statutory authorities/enterprises and agricultural research and marketing.

Abundant material is available on the accountability of government organisations. As much as it is relevant, however, this dissertation draws heavily on British literature which is well advanced in considering the accountability issues in regard to statutory authorities and public enterprises. The writings of Smith, Hague, Mackenzie and Barker are recurrent and frequently cross-cited within the wider literature.

Smith and Hague (1971) provide good commentary on the diversity of issues concerned with the accountability/autonomy dilemma, and thoroughly summarize debate at the Ditchley Conference of 1969 which focused on British and American interest in this issue. Smith reminds us that the dilemma is no greater for decentralised agencies than other accountability issues are for mainstream bureaucracies which tend to have problems because they are not good at assigning responsibility. Smith and Hague each discusses the practice of contracting government work, popularised in the US, as one appropriate compromise for decentralised accountability. While their discussion focuses on contracting-out to private enterprise, there are parallels in the contracting process and the strategic accountability process of SMAs and RDCs described in Chapter 5.

Other perspectives of the dilemma are profuse. Pifer (1975) argues that, in the end, the issue is resolved by governments and public enterprises avoiding confrontation and compromising on the appropriate levels of control and independence. Wilding (1982) argues that the dilemma will ultimately be determined by the only authority with the power to do so, Parliament. On the other hand, professionalisation of public enterprises, suggests Dunleavy (1982), can lead to greater autonomy and maybe even greater accountability, but at the loss of internalising broader community interests. Ramanadham (1984) explores the concept of decentralising the control process as the appropriate accountability mechanism for public enterprises. This notion has particular relevance to the principles of dual accountability.

Mackenzie (1975) and Barker (1982) discuss concepts of wider social accountability which they refer to as "mutual accountability". Their works draw largely on outcomes of an Anglo-American accountability project sponsored by the Carnegie Corporation between 1967 and 1973. Rhodes (1982) provides British examples of mutual accountability in discussion on community participation in the social services arena. Parallels are drawn on from the Swedish administrative model, clearly described in works from Tilton ed. (1991), and the New Zealand model (Boston, Martin, Pallot and Walsh 1991).

Control as an aspect of accountability is given significant attention in the general texts on public administration. Its consideration is given particularly comprehensive coverage in Thynne and Goldring (1987) whose treatise has specific relevance to Australian public administration and recent administrative reform. Mechanisms of control of public enterprises are treated in most of the aforesaid British literature. Musolf (1959) offers a Canadian perspective on the control of boards of public enterprises, work which maintains its relevance in more recent debate. Mackenzie and Hood (1975) provide a useful classification of controls based on mutual expectations between the controlled and the controllers.

Australian material on accountability, outside the mainstream texts, is well served through the practitioners, and particularly through the recent publications of the Management Advisory Board and its Management Improvement Advisory Committee. It would be an oversight not to acknowledge the tremendous work of the Royal Commission on Australian Government Administration, which seems to have inspired some of the specific elements of dual accountability. Its volumes have been a valued source of material for discussions on accountability and public enterprise.

The proliferation of material on auditing and administrative review has been taken into account, and frequently cited, but is not core subject matter in this dissertation.

Like the study of accountability, a great deal of literature on public enterprises emanates from Britain and many of the works covered above are pertinent. Indeed, it is difficult to separate the issues in the British literature, with most discussion on public enterprise inevitably leading to debate on the problems of accountability. Friedmann and Garner (1970) provide a good general account of the nature of public enterprise in Britain, while Paris Pestieau and Saynor (1987) and Vernon and Aharoni (1981) do likewise for other western European countries. Mishra and Ravishankar (1986) take their readers on a round-the-world journey of public enterprise developments, reflecting a substantial output of material on the topic now emanating from India.

From an Australian perspective, Wettenhall⁴ makes a substantial contribution to understanding the nature of public enterprise and its growth in, and innovative contribution to, Australian public administration. Perspectives on mutual accountability and the "freedom versus accountability"

problem are also given substantial discussion by Wettenhall, as are the innovations in primary industry statutory authorities.

Discussion in the dissertation on general reform processes in Australian Public Administration draws from a wide range of material, but particularly from Power (1990), Davis et al (1988), Halligan and Power (1992), Campbell and Halligan (1992), Keating and Coates (1990) and Kouzmin and Scott (1990). Each of these sources covers in detail the issues of pluralism, public choice and managerialism relevant to this dissertation. Material on reforms to primary industry statutory authorities comes largely from primary sources, however, the most comprehensive summary written to date is provided by Newton (1990). Vinning (1980) provides the definitive work on the identification and description of all existing Commonwealth and State SMAs as at 1980, although this is daily becoming more outdated.

There are few good general monographs being written on agriculture these days, although in studying the historical aspects of agriculture this is of less concern. Williams (1967, 1982) provides what was once the agricultural administrator's bible, compiling material on the economic, institutional, political and social aspects of Australian agriculture. Good historical perspectives on statutory marketing are drawn from Campbell (1973) and Smith (1936) while relevant histories of the grazing and cropping industries are drawn from Collier (1911), Connors (1972) and Dunsdorfs (1956). More recent material is appropriately cited in the text. An excellent history of co-operatives in Australia is provided by Lewis (1992), from which a good appreciation of community-inspired action can be gained. Useful background on producer groups is provided in most of the agricultural literature and given comprehensive analysis in Zadnik (1990).

Few analyses of the accountability arrangements of the primary industry statutory models have been completed in any depth other than those initiated by DPIE. Of particular value are the Davis (1990) review of SMAs, the Kerin and Cook (1989) review of research arrangements in the primary industries portfolio, the Gleeson and Lascelles (1992) review of the RDC model and the work of Newton (1990).

The Subjects of Dual Accountability

Statutory Marketing Authorities

Vinning (1980: 2) provides a useful starting definition of an SMA:

a statutory body with producer representation whose purposive intent of regulating the marketing of the primary product for which the body is constituted is backed by legal powers of compulsion.

This definition is not entirely appropriate for Commonwealth SMAs as it is not essential for them to have producer representation.

There are currently nine Commonwealth SMAs⁵, each fully funded by compulsory industry levies and supported by Commonwealth legislation peculiar to the organisation. Generally their charter is to provide marketing services, such as generic promotion or market research for their related industries, and administer marketing regulations, such as export licensing and quality control. Moreover, some of the organisations have some form of trading role, for example the Australian Wheat Board competes on the open grain market and the Australian Dairy Corporation acts as the Australian supplier of cheese to the European Community and Japan. In 1991-92, the gross value of production (GVP) of the industries they support amounted to \$... representing ... per cent of total rural output.

TABLE 1: SMA RESOURCES

SMA	GVP 1991-92 \$m	Levy Income 1991-92 \$m	Staff at 6/92
Aust Wool Corp		2,974.0	69.0
Aust Wool Realisation Com.		(above)	247.0
Aust Meat & Live-stock Corp	4,200.0	95.8	286
Aust Wheat Board	1,967.0	26.5	376
Aust Dairy Corp	1,960.0	38.3	97
Aust Wine & Brandy Corp	1,302.0	1.0	14
Aust Pork Corp	664.0	7.6	f/t 10 p/t 60
Aust Horticultural Corp	1,200.0	4.9	f/t 22 p/t 1
Total	14,267.0	490.1	

Source: DPIE (various)

Research and Development Corporations/Councils⁶

RDCs are statutory organisations principally empowered to provide strategic direction for industry research and development through appropriate planning and funding. There are currently eighteen RDCs, although a further RDC for the forest industry is proposed. The majority of the RDCs derive their funds from industry levies which are matched dollar for dollar by the Commonwealth up to 0.5 per cent of industry GVP. The Energy, Rural Industries, and Land and Water Resources RDCs principally deal in public good research issues and derive most of their budget directly from Commonwealth appropriations. The total RDC budget of \$225 million represents approximately ten per cent of all Commonwealth expenditure on all forms of research and development.

TABLE 2: RDC RESOURCES

RDC	Levy Income 1992-93 \$m	Cm'th Income 1992-93 \$m	Tot Est Exp 1992-93 \$m	Staff at 6/92
<u>Corps.</u>				
Cotton	3.02	3.24	5.43	3
Dairy	6.19	5.21	12.59	10
Energy	11.96	Nil	11.96	10
Fisheries			9.00	4
Grains	15.60	19.3	34.90	12
Grape&Wine	1.56	1.88	3.43	2
Horticulture	6.58	7.30	12.48	4
Land&Water	11.12	Nil	12.00	7
Meat	22.59	23.83	53.85	23
Pig	2.92	2.68	6.50	3
Rural Ind.	11.30	0.86	13.88	10
Sugar	3.15	3.00	6.50	3
Wool	14.50	14.50	48.20	16
<u>Councils</u>				
Chicken Meat	0.59	0.59	1.40	1
Dried Fruits	0.73	0.85	1.46	1
Egg Ind.	0.60	0.60	1.25	1
Honeybee	0.17	0.13	0.37	0
Tobacco	0.40	0.70	1.82	1
Total	112.96	84.67	237.02	

Source: DPIE (various)

1. Throughout this dissertation, references to the Primary Industries and Primary Industries and Energy portfolios are used interchangeably. The Primary Industries and Resources and Energy portfolios were amalgamated in 1987. The energy component of the portfolio is not irrelevant to this dissertation as it too shared, perhaps more dramatically, elements of the same reform processes principally directed towards the agricultural institutions of the portfolio.
2. In her dissertation, *In Unity, Weakness*, Elizabeth Zadnik discusses the representational nature of farmer groups which, while often effective, frequently break down when attempting to represent diverging interests (Zadnik 1990, Marshall 1985:24). This premise is more true of farming groups which have sought to represent general farmer interests as opposed to the commodity specific groups (ILO 1971: 531)
3. The arrangements underlying dual accountability had, in fact, existed for a year with the reform of meat marketing and research funding administrative functions in 1985 (see Chapter 4).
4. References are too numerous to list here but are appropriately cited throughout the dissertation.
5. Up until 1990, there were ten SMAs. The Australian Dried Fruits Corporation and Australian Honey Board have since been reconstituted as Product Boards of the Australian Horticultural. The Australian Wool Realisation Commission was established in July 1991 charged with the responsibility of disposing surplus wool stocks which had accumulated to alarming levels up to that time.
6. Included in the RDCs are five Research and Development Councils which are too small to warrant corporation status. They derive corporation flexibility through their relationship with the Rural Industries Research and Development Corporation (see Chapter 4)

CHAPTER 2

TOWARDS DUAL ACCOUNTABILITY: THEORETICAL PERSPECTIVES

The reforms of the primary industry statutory research and marketing arrangements which took place during the 1980s were based on the need to develop appropriate administrative structures to achieve two major, and equally important, goals: first, to undertake their respective functions with considerable commercial powers and flexibility, and second, to fulfil and improve their accountability obligations to their shareholders, being the public in general, and primary producers in particular. These aims were not mutually exclusive, and the establishment of corporate and strategic management structures to undertake their roles did not require compromise on accountability. Rather, unique accountability mechanisms were built into each organisations' enabling legislation, ensuring the research and marketing organisations' relationships with parliament and industry stakeholders were strengthened.

Those responsible for these reforms claim to have acted instinctively and with a degree of indifference to debate on statutory authority and public enterprise accountability which was elsewhere taking place. A good deal of the debate had been captured in the literature, where contradictions were frequently raised between statutory autonomy and public accountability, and between ministerial and public accountability. There was also dissension in the literature, reflecting the situation taking place among administrators and politicians, about the appropriate balance between control and guidance and between internal and external monitoring and audit. Moreover, arguments abounded as to whether the traditional departmental, corporate or contracted structure provided the best administrative form for undertaking certain government functions. These debates still persist. It is inconceivable that the primary industry reforms were implemented with total indifference to these debates, just as it is inconceivable that the reforms now have little to contribute to.

Accountability

Innumerable definitions exist to explain the concept of accountability. To any of these definitions, however, dual accountability infers nothing more than an extra dimension; it does not alter their fundamental premise. More precisely, dual accountability is an issue of to whom, not how or why, an organisation is accountable.

For several reasons which arise throughout this dissertation, a preferred definition is that proffered by an educational philosopher, Robert Wagner:

If it is fairly representative of standard usage to hold that being accountable means, among other things, being obligated or subject to giving account, then in saying that a particular agent is accountable we could imply that [it] is

obligated to give a report, relation, description, explanation, justifying analysis, or some form of exposition for we have observed from an etymological standpoint the term *account* has come to mean each of the above. (Wagner 1989: 8-9)

Fundamental to Wagner's definition is the term "obligated", for without obligation, accountability would be voluntary and, most likely, unfulfilled. Rawls (1971: 54) argues that obligations are normally generated by the acts of individuals or groups in conjunction with those institutions and practices of society that define such acts to be obligating. For the conditions of an obligation to exist, there must also exist the conditions of responsibility and entitlement (Wagner 1989: 47). The assignment of any obligation is contingent upon identifying the persons or groups responsible for the act creating it, while the assignor must be endowed by some virtue to entitlement to receive account. Using these terms, Westminster convention identifies those responsible for certain functions of government and obligates them to be accountable to those entitled, by democratic convention, to be accounted to.

Where accountability within the public sector diverges from this definition, such as where responsibility and entitlement are poorly defined, accountability becomes problematic and called to question. This issue will be examined at length later in this chapter.

The definition of accountability provided by the Management Advisory Board (MAB) and its Management Improvement Advisory Committee (MIAC) is also worth considering, not least because it is said to take into account a balance between "the theory underlying the Australian systems of representative government and the practical realities encountered in Commonwealth administration" (Core 1991: 6). A study undertaken by MAB/MIAC, leading to the publication of the document, *Accountability in the Commonwealth Public Sector: An Exposure Draft*, defines accountability as existing:

where there is a direct authority relationship within which one party accounts to a person or body for the performance of tasks or functions conferred, or able to be conferred, by that person or body. (MAB/MIAC 1991: 1)

This definition, among other aspects of the document, inspired Blick (1992: 1) to describe the work of the MAB and MIAC as "dynamite". The striking implication of this definition is the limitation of accountability upwards to those who confer tasks or functions. The conclusion to be drawn, and indeed explicitly stated elsewhere in the document, is that "public servants are not accountable to the parliament, clients, the other agents of accountability, or any other institution or segment of society you care to think of, but are accountable to the government of the day" (Blick 1992:8). This, according to the present Commonwealth Auditor-General, John Taylor, is abhorrent as it displaces Parliament as the "head of the accountability pyramid" and hence

ignores the premise of the wider notion of public accountability "which requires government and its administration to be answerable eventually to the populace" (Taylor 1991: 1-3).

An important issue which arises in this debate is whether the institutions of the public sector are accountable to the populace or whether they are only responsible to the populace, leaving the government of the day to be held accountable through Parliament. The distinction drawn by Core (1992: 12-13) is that public servants are responsible for providing to the public (as clients) the best service or advice that is possible as set out in various acts, regulations and guide-lines, but because the clients do not directly delegate power to public servants, public servants are not directly accountable to them. Because accountability to Parliament through government is the basis for ministerial accountability and the separation of political and administrative functions, the MAB/MIAC definition of accountability is therefore entirely consistent with Westminster principles (Core 1992: 6).

This debate has critical significance for later discussion in this dissertation on mutual and dual accountability because it stresses that any accountability beyond traditional Westminster lines should ideally be based on more than a master/servant and client/provider relationship. For the same reason, definitions of accountability based on lines of authority tell us less about why accountability is required, or imposed, than those definitions based on obligation, responsibility and entitlement. Indeed, discussion on mutual and dual accountability tends to focus on lines of answerability rather than lines of command.

Explanations offered to support the need for formal processes of accountability are numerous and diverse. Normanton (1971: 340) suggests these reasons may be either positive or negative. For example, he argues that accountability as it was developed in the nineteenth century (but not necessarily outdated in the twentieth) was probably to keep bureaucrats in their place by means of meticulous financial discipline, no doubt to limit the powers of government and thereby keep taxation down. In a more positive sense, he argues that accountability is aimed at assessing and improving the "working of the manifold organisations which now depend upon national and local revenues, and thus help to tone up the administrative machine as a whole and reduce wasteful expenditure" (Normanton 1971: 340)

Sir William Armstrong, cited by Hague (1971: 77-78) argued that systems of accountability needed to be put in place on behalf of the populace because:

there were not enough intelligent, objective and energetic people to go around examining everything for themselves. One needed a system which would throw things up for the general public inspection, so that one could rely on there always being somebody sufficiently intelligent and objective to be able

to stop trouble. A system of institutions, and arrangements between institutions, was therefore a necessary evil.

This comment might well say more about the opinions of Sir William Armstrong than about the intellect of the general populace. However, it raises the more obvious point concerning the general undesirability and inefficiency of every individual seeking to examine public records, and moreso about their inability to establish for themselves the institutions required to seek accountability. One may well argue that the institutions of accountability were established to ensure that individuals could not seek personal examination of public records, although administrative law reforms in more recent years, including the Freedom of Information initiatives, counter such argument.

Smith (1971: 26) suggests that "in the broadest sense accountability is the central objective of democratic government: how can control be exercised over those to whom power is delegated." Normanton would consider this a negative approach to accountability, for surely the central objective of government is to deliver the best services and economic management possible in the most open and accountable way possible. Smith's emphasis on control as the crux of accountability also overlooks factors of participation and ownership which are important in the development of mutual and dual accountabilities.

Public Enterprise

Primary industry research and marketing authorities have traditionally been dealt with by governments in a separate basket from other statutory authorities and government business enterprises (GBEs). The separate but parallel processes of reforming the SMAs and the GBEs and statutory authorities during the 1980s are testament to this. Irrespective of how they have been dealt with, all SMAs and RDCs are statutory authorities, established under acts of parliament and operating outside of traditional departmental structures, and all have commercial powers usually bestowed on public enterprise. For the purpose of the ensuing discussion, they are therefore treated as public enterprises and as being subject to consideration in the wider debate on public enterprise accountability.

While little of his work covers the historical development of primary industry statutory authorities, the most comprehensive histories of public enterprise in Australia have been recorded by Wettenhall. In his work on statutory authorities for the Royal Commission on Australian Government Administration (RCAGA 1K 1976: 319-321), Wettenhall summarised a wealth of material written to that date on the rationale for establishing statutory authorities, including statutory enterprise authorities.¹ This is not the place to repeat each and every argument, suffice to say that those which can be related to the primary industry statutory authorities include:

first, statutory authorities can be freed of the inflexibility and weaknesses of traditional government departments. This is particularly so where the statutory body is given commercial enterprise powers; second, statutory authorities provide government with a backdoor way of undertaking certain activities which would otherwise be difficult to accomplish. This is not necessarily a negative view. Axelrod (1992:310-311) argues that many American statutory authorities were created by reputable governors trying to meet pressing public needs but hemmed in by a system they had not made; third, statutory authorities may engage staff outside Public Service Act conditions, and hence attract more professional employees (see in particular Dunleavy 1982); fourth, statutory authorities can act, and can be seen to act (Wilding 1982: 39), impartially and without political party pressure. Sawyer (1983: 77) adds to this the advantage of removing from Parliament the temptation of log-rolling on behalf of certain beneficiaries; fifth, statutory authorities offer the opportunity for formal participation of interest groups in the decision-making process. This may occur through obligatory consultative arrangements, membership on advisory or even corporate boards or, in the case of dual accountability authorities, in the accountability process itself (see Chapter 5). Wilding (1982: 39) describes this process as a deliberate move towards pluralism in government; sixth, statutory authorities offer the opportunity to separate the policy and executive functions of government.

As previously suggested, there are additional reasons for establishing organisations outside the traditional departmental structures, not least to disguise public sector growth (see in particular Hood 1982: 44-68 and Dunleavy 1982: 184-185). Discussion on the *raison detre* for the establishment of the SMAs and RDCs in Chapter 3 focuses and elaborates on each of the points listed above.

The need to establish organisations which are autonomous from government departments and can act with a great deal of independence is critical in performing certain functions of government, particularly where the highest degree of innovation and competitiveness is required. Nowhere is the need for this autonomy better expressed than by Alan Pifer:

The case for independence rests on the simple proposition that for government to reap the real benefits that these organisation offer, they must be genuinely independent. If they are anything less than this, their effectiveness will be compromised. Among the benefits, as we have seen, can be a special capacity for experimentation, objectivity, the ability to recruit specially trained personnel, flexibility, economy and efficiency. Each of these benefits is a direct function of the quality of management of these organisations, and this in turn is a function of the degree of independence which management is accorded. In short, able men know that freedom of action is essential to their own highest performance, and they will demand it.

Having won it, they will resist all attempts by government to erode it. (Pifer 1975: 389)

From a theoretical perspective, underpinning most, if not all, reasons for establishing statutory enterprise authorities is consideration given to developing the most appropriate organisational design to undertake certain functions of government. Johnson (1982: 208-9) and Smith (1971: 27) observe that the move away from orthodox departmental structures has taken place in the wake of substantial growth in, and diversification of, the functions of government. Moreover, Boston (1991: 202) believes that the issue of size and diversity of bureaucratic structures is one highlighting the multiple and conflicting objectives of government, and suggests that the post-1986 administrative reforms in New Zealand were directed at separating out "trading, regulatory, administrative and service delivery functions, and to distinguish between inputs, outputs and outcomes" to overcome these conflicts. In Johnson's view, however, governments have been too hasty in automatically resorting, in piecemeal fashion, to the establishment of statutory bodies to undertake new functions.² As a consequence, there is now great variability in the structures of these bodies, thus making them difficult to classify (RCAGA 1K 1976: 313-314) and hold accountable (Johnson 1982: 209).

Here a major conflict arises. In undertaking public enterprise functions, do the decentralised structures of statutory authorities strengthen or weaken accountability? And what are the implications for dual accountability?

For some, statutory authorities represent an avenue for pluralist government administration (Wilding 1982: 39), and hence for improving accountability. This argument is based on the premise that present notions of ministerial accountability fail to provide adequate answerability to the public and that, indeed, ministerial responsibility is "a chief impediment to effective public accountability" (Smith 1971: 6-7). This is largely due to the size and complexity of government departments - it is simply not possible for ministers to know about everything going on in their departments and that the "practice of responsibility threatens to become both artificial in manner and restricted in effect" (Johnson 1982: 210). For this reason the MAB/MIAC document argues that ministers should not be held responsible for every action of public servants (Core 1992: 12). Recounting the contribution of John Mackintosh MP at the Ditchley conference on accountability in 1969, Smith postulates:

since accountability was a mere fiction under the classical administrative theory of the Cabinet being responsible to Parliament for everything happening in government, the course of wisdom was to create smaller units which could be clearly identified as being responsible for particular policies. The more units that could thus be held accountable, the more accountability there would be. (Smith 1971: 23-24)

This argument is in accord with practice in the Scandinavian nations, particularly Sweden, and more recently in New Zealand. Detractors of this decentralised model, however, argue that it represents an alleged damage to a unitary system of administration (Barker 1982: 23), an erosion of ministerial accountability and an undermining of the role of Parliament, as the people's representatives, in holding government accountable for all its activities. "What they suspect is that we may be witnessing the disintegration of the model of representative and responsible ministerial government," argues Johnson (1982: 206). At the heart of the matter is the paradox that ministers cannot be held accountable for those functions and powers which they have not delegated, such as those provided to statutory bodies directly from Parliament through statutes, and yet these bodies report to Parliament through ministers. There exists, therefore, the potential for statutory enterprise authorities, as first-instance decision makers, to operate "in a private sector free-wheeling mode divorced to a greater or lesser extent from the concept of ministerial responsibility and accountability" (Taylor 1989: 18).

But is this a problem with statutory enterprise authorities, with parliament, with existing control mechanisms or with conventional and outdated concepts of accountability?

Parliament

Returning to the Wagner definition of accountability as obligation, the source of statutory enterprise authority responsibility comes directly from Parliament and hence Parliament would have entitlement to be accounted to. The major instrument of accountability to Parliament has traditionally been the annual report, encompassing financial statements subjected to independent audit scrutiny. Beyond this, the relevant minister associated with each authority is held answerable for the authority's activities, even where the minister's direct responsibility may have been limited by statute and the government has little control over the enterprise. To many observers and participants in the political and administrative systems, this form of accountability has been insufficient.

Possibly Australia's most vehement critic of this arrangement today is John Taylor. While recognising the need for a degree of autonomy and commercial flexibility, Taylor argues that there is a greater role for direct parliamentary accountability because "whatever the degree of autonomy and freedom which the various elements of the public sector may be granted, short of privatisation, the Parliament still represents the ultimate shareholder" (Taylor 1989: 21). For the reasons that the MAB/MIAC document largely downplays the role of Parliament and highlights the concept of managerial accountability within the public sector, Taylor is also a vehement critic of MAB/MIAC vision of accountability.

The call for improved Parliamentary oversight of statutory enterprise authorities is not new, and many scholars and practitioners throughout the world have suggested the greater use of Parliamentary committees to this end (for example, Boston 1991 in New Zealand, Musolf 1959 in Canada, Holland 1979 in Britain and Sawyer 1983 in Australia). However, there has been a great deal of cynicism about such suggestions. As early as 1959, Ramanadham (1959: 117) doubted British parliamentary select committees' adequacy and competency to investigate, or even express opinion on, the commercial efficiency of statutory enterprise authorities. More recently, Davis (1990: 98-99) suggested that technocratic institutions like statutory enterprise authorities, are able to evade accountability through their capacity to resort to jargon and statistical obfuscation when challenged by parliamentarians inexperienced in such matters. Johnson (1982: 214) argues that the use of parliamentary committees is a too optimistic view of what they can do given their available time and resources. Forrest (1983: 86) supports this view, adding that "notwithstanding executive-imposed limits on the time and resources available for scrutiny of statutory authorities, few parliamentarians have shown themselves to be particularly interested in the topic anyway." Wettenhall further claims that Parliament has failed to hold ministers fully responsible in statutory authority accountability (RCAGA 1K 1976: 11), and that while ministerial powers over statutory authorities are being augmented, nothing is being done to ensure that ministers are more accountable for the powers they exercise (Wettenhall 1983: 23).

It needs to be recognised, however, that parliamentary committees can, at times, focus intense scrutiny on the activities of statutory enterprise authorities. In Britain, for example, the Parliamentary Select Committee on Nationalised Industries (SCNI) has, since 1956, conducted numerous inquiries into the activities of individual National Industry authorities as well as into specific issues common across the authorities. Coombes (1966: 12) argues that the SCNI provides a good precedent for specialist parliamentary committees, while Beesley and Evans (1981: 117-118) recognised SCNI's role in the introduction of strategic management processes to Nationalised Industry authorities as a means of improving their accountability. In Australia, Senate and joint house committees have also focused, from time to time, on the activities of statutory authorities - for example, a number of statutory research authorities, including the CSIRO, were reviewed by the Joint Committee of Public Accounts in its recent inquiry, *Public Sector Research and Development*, (Report 318, 1992). Irrespective of these examples, the inquiries of parliamentary committees can be so sporadic or narrowly focused as not to be considered a conventional part of an authority's public accountability.

It is largely the failure of Parliament to establish, or assert, its relevance in routine statutory enterprise authority accountability which has prompted these organisations to look to more important audiences in relation to getting things done or to account to for their actions (Forest 1983: 85-86). In considering these issues, Mackenzie (1975), Barker (1982), Forest (1983), and Wettenhall (1983) move towards the conclusion that alternative and mutual forms of accountability have greater relevance to public enterprise.

Control

Although by no means mutually exclusive, control and accountability are two distinct processes. There are very few accounts of one without discourse on the other. The processes are parallel and complimentary, although they operate in reverse directions (RCAGA 1k 1976:335). In the language of Wagner, those who are entitled to be accounted to (in one direction) would also have entitlement to powers of control over the accountee (in the other direction).

It is, however, possible to be controlled by one authority without being accountable to that authority; the police/citizen relationship is an obvious example. Moreover, at an administrative level, the monitoring, judicial or other control powers of the Auditor-General, Administrative Appeals Tribunal, courts of law, Ombudsman and other specific review agencies do not entitle them to be accounted to. This is the basis for the MAB/MIAC argument that such bodies are best classified as adjuncts to accountability (MAB/MIAC 1991: 5).

Control of statutory enterprise authority activities is seen as a way of making the authorities accountable. It is this perspective of accountability which has created substantial tension in administrative relationships about the appropriate balance between decentralised independence and centralised control (Wettenhall 1983: 22). To some, this tension if held at the optimum level is necessary and healthy because it involves conflict which itself requires participation and creativity (Hague 1971: 83). To others, the tension can lead to a corrosion of the trust required between government and an authority (Pifer 1975: 391). Whichever, the level of tension is likely to reflect the extent to which the balance between accountability and control is sub-optimal. The optimum point of balance will, of course, vary according to the type and function of each authority, and may also may change over time (Normanton 1971: 313).

Controls over statutory enterprise authorities take many forms and may well be matched by the number of attempts to classify them. Mackenzie and Hood (1975: 35-47) conceived control models based on commands, threats, mediation, arbitration, agreed regulations and inter- and intra-organisational relationships, but more importantly stressed that their effectiveness depended on the mutual expectations of the controller and controlled. At a more specific level, Wettenhall spelt out in his RCAGA work the forms of control Parliament and ministers have over public enterprises in Australia, including: powers to make and change enabling legislation, select and appoint board members (this power differs across authorities), approve certain classes of decisions (again this varies), and perform certain duties in accordance with the enabling legislation (RCAGA 1K 1976: 335). Ministers may also hold more drastic powers of control, such as the power to determine budget levels and the power to give specific directives. Statutory enterprise authorities are also subject to the controls of, and guide-lines issued by, the

adjuncts to accountability. A more comprehensive listing of controls over statutory authorities, prepared by Wettenhall (1986: 28-29) is reproduced in **Appendix 1**.

A useful way of looking at the evolution of control mechanisms over statutory enterprise authorities is to compare them with Robinson's categorisation of accountability types, which he termed fiscal, programme and process (Robinson 1968). For most of this century, the predominant forms of controls over, and accountability requirements of, statutory enterprise authorities have been fiscal (Stretton 1984: 197-198). This has been a world-wide phenomenon, no doubt based on the underlying premise that all parliaments and government treasuries demand that monies be seen to be used efficiently (Cassese 1981: 154). It has in all probability been perpetuated by a domineering role of auditors in the accountability process. More recently, however, there has been a shifting emphasis towards programme and process accountability under the guise of strategic management. This shift, not surprisingly, has been paralleled by the increasing enthusiasm of auditors to undertake comprehensive audits (Stretton 1984:206), although their intentions may well be based on self-serving interest as they endeavour to maintain their relevance in an era of decentralised administration.

The expansion of parliamentary, or any other form, of oversight of statutory enterprise authorities brings with it the potential to upset the balance of tension required for these bodies to operate most efficiently. There is already uneasiness among some authorities about the role of the Auditor-General (Coates 1990: 10) and about whose responsibility it is to ensure that the activities undertaken in pursuit of enterprise goals are carried out efficiently and effectively. This has been particularly so since many authorities have adopted strong corporate planning, evaluation and internal audit procedures as part of good management practice (Newton 1992: 1). Indeed, a number of these enterprises have called for the replacement of the Auditor-General with private auditors to scrutinize their accounts prior to submission in their annual reports to Parliament. Among their arguments for this is that as statutory enterprise authorities operating in a commercial environment, they should have the commercial freedom to choose and appoint an appropriate auditor in line with private enterprise practice. This position is disliked by both the current Auditor-General and by the Senate Standing Committee on Finance and Public Administration. Moreover, the Joint Committee of Public Accounts has recommended the reinstatement of the Auditor-General for all government entities (JCPA 1989). These groups contend that the independence of the Australian National Audit Office (ANAO) gives it the credibility required to provide assurance to the Parliament and public that accountability is bona-fide. On the basis of this argument, however, the ANAO's client must surely be the Parliament, and it would therefore be reasonable to expect the Parliament to meet the cost of each and every audit, particularly where the ANAO maintains a monopoly on auditing an authority. At present the ANAO charges each statutory enterprise authority its audits, in line with broader government policy that such authorities are expected to internally cross-subsidise to meet community service obligations (Keating and Holmes 1990:182).

Strategic Accountability

An appropriate balance between control and autonomy might be arrived at by three means. First, the balance can be varied and the optimum level found by either increasing or decreasing controls or levels of accountability. Second, the optimum balance can be influenced by changing the nature of the controls or the nature of the accountability process. Third, as Alan Pifer suggests, a balance of sorts can be reached through negotiation and compromise (Pifer 1975: 391). In the 1980s, major institutional reforms implementing elements of managerialism and public choice theory represented an attempt to effect all three strategies.

In 1976, the report of the RCAGA argued for a system of administration which would segregate the policy role of the politicians and the management functions of the public servant and make the managers more accountable for the implementation of policy (RCAGA 1976: Ch. 4). This is not dissimilar to the argument for hiving off certain government functions to statutory authorities. While some may argue that the RCAGA's proposal to establish a process of accountable management was never adopted (Davis et al 1988: 143), fundamental principles underlying the process have been widely implemented throughout the public sector in all its institutional forms. Indeed, much of the philosophy of the MAB/MIAC paper on accountability stems from the innovative work of the RCAGA.

Few of the recommendations of the RCAGA were taken up with any enthusiasm until the Hawke government came to power. The pressing need for fiscal austerity and tighter resource use which could not be satisfied by process-oriented administrative mechanisms provided the Hawke government with the incentive to transform the public sector into one which was managerially driven (Halligan and Power 1992: 95). Catchcries of the 1980s managerialist reforms, including "management for results", "management by objectives" and "let the managers manage", are based on the general concepts associated with the managerialist ethos - essentially devolving responsibility and giving managers at the coal face the authority to make decisions on the allocation of resources to undertake corporate strategies and achieve corporate objectives. Campbell and Halligan (1992: 209) note that devolution is "not an end in itself, but about improving efficiency and effectiveness." Senior public servants interviewed by Campbell and Halligan suggested that accountability, rather than being weakened by the loosening of controls, had been strengthened because the most appropriate people were now making decisions (Campbell and Halligan 1992: 209).

Many of the key elements of the managerialist reforms were introduced in a more formal (legislated) way with the reform of the GBEs, SMAs and RDCs during the 1980s. Wettenhall's work on statutory authorities for the RCAGA recommended the need for guide-lines for governing the establishment of statutory authorities and for their behaviour, relationship to

ministers and auditing arrangements (RCAGA 1K 1976: 342-43). These recommendations were largely pursued in the Primary Industry portfolio White Paper on the *Reform of Statutory Marketing Authorities* (1986) and the government's broader Green Paper on *Policy Guide-lines for Statutory Authorities and Government Business Enterprises* (1987). The highlight of the accountability arrangements outlined in each document was the transition from direct ministerial controls and approvals to agreements on broad strategic directions based on corporate planning principles.

This fundamental shift in the accountability relationship is founded on widespread support that the basis for good accountability must start with clearly defined and articulated statements of charters, responsibilities and relationships (Barker 1982: 31-32, Sedgewick 1992: 8-11, RCAGA 1K 1976: 333). This notion also supports Wagner's definition of accountability which, as outlined previously, requires the clear identification of persons or groups responsible for acts for which accountability is required and of the assignor of obligation entitled to receive account. In the case of SMAs and RDCs, this is achieved through legislation which outlines the specific objectives, powers, functions and accountability arrangements for these authorities. More importantly, it is also achieved through the preparation of corporate plans which describe goals and proposed activities in more specific detail.

These corporate plans also served as de facto contracts between the authorities and government - in fact, a similar concept employed in France between statutory enterprise authorities and government actually refers to these corporate plans as planning contracts (Paris et al 1987: 112-113). Similar use of corporate plans had also been widely adopted in Britain in the mid 1970s where they were largely shelved by ministers without any material comment (Parris et al 1987: 111). In the case of British Airways and British Gas, however, Parris and colleagues observed that "the corporate plan was gradually developing into the prime vehicle around which formal relationships between enterprise and government were centred" (Parris et al 1987: 112).

The shift towards implementing legislation clearly defining authorities' objectives as well as their functions and powers, and towards using corporate plans to further specify their purpose and activities, represented a significant move away from relying on direct government control to attain accountability. These developments also represented a move towards passive control based on prescribed standards (Barker 1982, Wettenhall 1983: 34). While Australia does not have one piece of legislation containing provisions which relate to all statutory enterprise authorities as in the UK and Canada, guide-lines do exist for specific purposes, such as for financial accounting and annual reporting. The individual corporate plans also act as standards, whereby authorities must restrict their activities to those which have been outlined to, and approved by, relevant ministers. Hugh Stretton, in his 1984 consultancy to government on the operation of GBEs, referred to this approach to control as "facilitative" in contrast to what he saw as the traditional "authoritative" approach (Stretton 1984: 197).

With these reforms has come an increased openness in decision making (Forrest 1983:101-102). This openness has taken two forms: first, there has been a gradual extension of administrative law, including the Ombudsman, Freedom of Information, Administrative Review Council and Administrative Appeals Tribunal initiatives, to ensure external review and checks on the individual decisions of officials (Davis et al 1988: 143); and second, there has been an increased level of non-governmental participation in the decision making process. In some cases, this increased participation has resulted from corporatist ideals of the Hawke government (Boreham 1990: 42-51). In others, it has been a consequence of improved management practices and, perhaps unwittingly, the exploration of mutual accountability processes.

Mutual accountability

In his paper on *Accountability, Control and Complexity: Moving Beyond Ministerial Responsibility*, Johnson supports the former, and more legally based, form of openness:

Given the inevitable weakness of traditional forms of political and administrative control and accountability through Ministers to Parliament, it seems only reasonable to look for some strengthening of the more legal checks on the activities of government bodies. (Johnson 1982: 215)

Those that share this view do not necessarily advocate increased and stricter controls over statutory enterprise authorities, for this would inevitably lessen their independence and hence reason for establishment. Indeed, rather than advocating controls, they support the notion of independence within broadly established and clearly articulated guide-lines whereby the public, not through Parliament, has a direct right to expect certain standards of procedural rectitude and fairness as well as avenues for appeals against authority decisions (Forrest 1983: 102). In this way, alternative notions of accountability are being explored and implemented and obligations and entitlements are being defined beyond the relationships between bureaucracy, minister and parliament.

In Barker's terms, this represents a growing focus on accountability which takes into account not only upward accountability - based on vertical answerability through the bureaucracy eventually to Parliament - but also horizontal accountability to peers and other reference groups and downward accountability to clienteles (Barker 1982: 6-22). This network of accountability processes was first referred to as "mutual accountability" by Mackenzie (1975). Mutual accountability, however, doesn't only embrace the legal obligations of open government discussed above. In the British homeland of Barker and Mackenzie for example, mutual accountability had long been around in different forms, such as peer review (see Smith 1971 and Mackenzie and Hood 1975), community participation in welfare programs (see Rhodes 1975)

and non-governmental representation on statutory and non-statutory boards (see Barker 1982 and Davies 1982).

More recently, in pursuing open administration in Britain, elements of mutual accountability have been progressed under the banner of the Citizens Charter, which defines relationships between government agencies and the public under the broad principles of standards, consultation, information openness and responsiveness (Newton 1992: 5). The push towards open administration in Britain may be seen in a number of contexts: first, in popular debate on the pursuit of a better managed and more accountable public sector; second, in administrative debate on how close to the heart of government certain public services should be administered; and third, in political debate on how much more or less of the mixed economy should be public or private ((Finer 1987: 128). Each of these debates has inevitably led to the process of privatisation - indeed, over the past few years, nearly two thirds of British public industrial sector has been returned to the private sector (Newton 1992: 5).

The more significant aspects of mutual accountability are those which go beyond open administration to embrace participatory administration. Such forms of accountability are more deeply rooted in democratic ideology and perhaps, given world-wide enthusiastic pursuit of pluralist and corporatist strategies practised in the Scandinavian countries, socialist democratic ideology. To the extent that these forms are less concerned with merely adopting a client/service provider relationship, which is no more than good commercial practice in any case, they focus on aspects of horizontal rather than downward accountability.

As Dunleavy points out, there is a large body of theorists, the neo-pluralists, who believe that the influence of public participation in the policy sphere is dwindling (Dunleavy 1982: 184). However, it is widely recognised that the segregation and decentralisation of statutory enterprise authority functions from the policy arena has provided enormous opportunity for participation in government decision making by relevant interest groups and the general public (Dunleavy 1982: 185, Hague 1971: 94, Barker 1982: 21). To some extent this is due to the conventional arguments for establishing statutory enterprise authorities which have been discussed previously (ie depoliticalisation and commercial flexibility). It is also likely to be due to the specialist or expert nature of many of these bodies. Research granting bodies across the world, for example, including Australia's RDCs, rely on specialist peer review to assess applications for grants (Smith 1971: 40), while the RDCs also make use of specialists to assist develop strategic priorities. Moreover, Johnson (1982: 208) argues that participation is important in securing the support of clients and those likely to be involved in the delivery of services.

In Australia, attempts have been made to extend mutual accountability processes to both policy development and policy implementation arenas. In his work on non-statutory bodies for the RCAGA, Thomas Smith noted the growth of advisory committees in particular as representative

organs for "people outside the public service" (RCAGA 1L 1976: 380). These advisory groups covered both policy advice and policy implementation functions, and were particularly predominant where they represented the interests of producers, namely unions, farmers and business (RCAGA 2D: 332-365). Indeed, these groups made up three quarters of the available positions in the advisory committee system by the mid-1970s (Thynne and Goldring 1987: 22).

Public representation on advisory bodies is usually drawn from specific interest groups, not least because such groups when well organized tend to have better access to, and sometimes influence over government or the bureaucracy, depending on how indispensable their consent and cooperation is to the areas of policy concerned (Matthews 1988: 160). The degree to which interest groups are incorporated into the policy process is "a matter of the groups' structural position in the economy; that is, whether they are producers or providers of essential goods or services" and whether the groups are able to "bind and control their membership" (Matthews 1988: 60).

Advisory bodies took on more prominence in the early years of the Hawke government following its initial pursuit of corporatist ideology (Boreham 1990: 45). Whether it was the intention to pursue a line of corporatism focusing on interest intermediation (Schmitter 1974: 93-94) or on social control (Panitch 1980: 173), the level of corporatism achieved never approached the levels observed in Sweden, Norway or Austria. Gerritsen (1986: 50) argues that the Hawke government was never committed to true corporatism, that is corporatism based on "formal, compulsory tripartite collaboration." He points to the Economic Planning Advisory Council (EPAC) as an example of a pseudo-corporatist body which lacks the corporatist essence of being a "controlling body". Ewer (1991: 83) claims that EPAC has failed as a representative body and has been "easily colonised by the older bureaucracies and serves now only as a shopfront for economic rationalism."

Within the primary industries portfolio, a number of corporatist-type bodies have been established to provide policy advice to the minister taking into account the views of a broad range of interest groups. The major body, the Primary and Allied Industry Council (PAIC), includes representatives of farmers, government, business and unions. Its role, however, appears to have been limited to reviewing policy papers prepared by departmental bureaucrats, and as a consequence, its potential to maximise the involvement and initiative of its participants is diminished. A similar body established as a peak policy council for primary industry science issues, the Primary Industries and Energy Research and Development Council (PIERC), lasted less than two years, having been abolished in 1992 because council members failed to set the agenda, instead relying on generating its business through the department (personal interview).

The experience of corporatism through groups such as EPAC, PAIC and PIERC, each of which operate close to departmental bureaucracy, supports the notion that decentralised, non-policy

development oriented bodies present more effective opportunities for interest group and general community participation in government activity. This is not least because decentralised bodies are often designed to be more responsive to their environment and to encourage, and capture the benefit of, participation. Dunleavy (1982: 181-205) further argues that staff professionalism in decentralised bodies acts as a bridge between the organisations and those who share similar professions and interests. More significantly, perhaps, bodies with a narrow focus and which are seen not to be captured by the government can more readily identify with their related interest groups as well as be readily identified with by those groups.

While open administration and community participation on advisory boards acknowledges direct relationships between government and the public, and contributes to the notion of mutual accountability, the underlying themes of corporatism contribute to a more formal concept of social accountability. Part of the lies in its emphasis on the use of recognisable groups which harness sectional interests of society. Crouch (1983: 4) observes:

What is distinctive about corporatism is that leaders are prepared to enforce on their members compliance with the terms of the agreements they have reached with their contraparti.

Gerritsen (1986: 50-51) argues that for the most part, Australian corporatism has failed because parties to it have not been agencies of "delegated enforcement", and as such lack the vertical linkages necessary for it to work. The only area of public administration where corporatism has worked, Jerritsen suggests, is in the primary industries portfolio, largely because participation has been formal and compulsory, and that the vertical linkages have existed through producer interest groups (personal interview).

The formalised relationships between producer groups and government administration have evolved over time, in a process outlined in Chapter 3. At the core of the link, however, is the concept of ownership which, because of direct levy contributions of producers to specific administrative functions, is readily apparent. The notion of ownership in the accountability process cannot be underestimated. Clark and Porter (1982) argue that government and parliament as shareholders' representatives are much less good at performance monitoring than the owners of most private enterprises, despite the greater freedoms private enterprises are supposed to have. Ramanadham (1984: 193-246) suggests that to improve the control and monitoring process of statutory enterprise authorities, there is a need to look beyond centralised ownership and to develop decentralised stakeholder mechanisms. He points to the consumer councils associated with each of Britain's nationalised industries as examples of appropriate public participation in the accountability process. Similar groups, such as supervisory boards of German and Finnish enterprises, both public and private, also support the relationship between the concepts of participation and ownership (Paris 1987: 104). The relationship between

primary industry statutory enterprise authorities and producer groups share elements of these European models.

Wettenhall (1983: 36-37) suggests that because the primary industry authorities are run by industries for industries, their horizontal and downward mutual accountability is blurred. However, the primary industry administrative reforms of the 1980s radically changed all previous notions of relationships between industries and their related authorities and in so doing advanced the concept of mutual accountability. In essence, the reforms meant that no longer did industries run the authorities. Instead, industry groups were elevated to a position roughly equivalent to that enjoyed by the government in the accountability process, while the authorities' managements were given greater freedom to act autonomously from both government and industry control. Whereas industry previously enjoyed traditional entitlement to downward and horizontal accountability, it was now given legislated entitlement to upward, strategic accountability in a sense espoused in Gerritsen's views on corporatism.

The obligation of primary industry statutory enterprise authorities to account upward to both Parliament and industry is the basis for the theory of dual accountability.

1. I have used this term to describe statutory authorities which perform public enterprise functions and have an enterprise structure. This dissertation does not intend to explore in depth the differences between statutory authorities and public enterprise, however, Stretton (1986: 197) provides a useful distinction: "... it may help to think of differences in kind rather than degree, between an "authority" model and an "enterprise" model: an authority model which subjects the statutory corporation (authority) to some detailed supervision and regulation by public service departments, and an enterprise model which gives undivided control and responsibility to the corporation's board, which must then answer for its performance and its compliance with law and policy."
2. Many put forward the view that contracting-out might be a more appropriate means of undertaking new activities or divesting existing activities without the need to construct new administrative organisations (see in particular Smith and Hague 1971, Smith 1974 and Savas 1992)

CHAPTER 3

TOWARDS DUAL ACCOUNTABILITY: INSTITUTIONAL PERSPECTIVES

The nature of Australian farming is changing, and so are its private and government institutions. Institutional changes are having profound effects not only on the means of rural production and the vertical linkages through the processing chain all the way to the consumer, but more significantly on the values and traditions of those people constituting a large part of the rural sector. Moreover, the prevailing economic condition of rural recession in recent years is accelerating the rate at which one of Australia's most recognisable national characteristics, the independence rugged and individual initiative of its rural people, is being seen to be eroded.

But to what extent have these national characteristics been based on reality, and not merely on the vestiges of an earlier, and very much real, pioneering spirit? Certainly for much of our agrarian history the physical isolation of ploughing and grazing the frontiers has been coupled with a sense of alienation and social tension. The estrangement of farmers has no doubt been exacerbated by urban perceptions of rural stereotypes, like Dad and Dave, and by the farmers themselves, who may often see society as a "continual struggle between competing groups or classes", not least between city and country interests (Graham 1966: 43).

The history of twentieth century farming is not, however, characterised solely by individualism. Indeed, it could be more characterised by government assistance, voluntary and compulsory cooperation, mutual dependence, politicalisation and institutionalisation. Perhaps this represents a transition by farmers from individual independence to collective independence as they seek to maintain recognition as a distinct and homogeneous section within our wider society. Yet of what relevance is this in a rapidly integrating and interdependent national and international economy?

The Farming Environment

To date, the mainstay of Australian agriculture has been the family farm.¹ Unlike most enterprises, the production unit of the farmer is not differentiated from the household or consumption unit and therefore decisions affecting one usually affect the other (Campbell 1973: 8). For example, a farmer's investment in machinery may be at the cost of purchasing consumer durables. To this extent the farmer might be considered an independent economic unit of production whose occupational and lifestyle decisions and satisfactions are indistinguishable. For this reason, farmers' motivations to farm will usually go beyond economic considerations, and they will want a return for their efforts which will enable him to maintain his way of life even if that return does not reflect economic conditions (Emy 1978: 675).

There is a great deal of vulnerability associated with farming which exists in few other sectors of the economy (Jackson and McConnell 1988: 669). On the one hand, farmers are subject the forces of nature, such as drought, flood, bushfire, disease and plague, which can drastically affect the output and profitability of the farm. On the other hand, farmers are subject to the economic implications of being the one sector of the economy which comes nearest to meeting the specifications of pure competition (Campbell 1973: 4). Because there is a large number of small producers in any one rural industry, none of whom can produce enough to individually affect market prices, farmers must accept the price which the consumers of their product are willing to pay. This price will have downward pressure if there are few, and hence economically powerful, middlemen who buy on behalf of consumers and pick and choose between competing producers.

The price of farm produce also has a naturally occurring downward pressure created by the tendency for supply to increase, due to technological innovation, at a much greater rate than demand. Furthermore, as farm produce prices have tended to go down, the costs associated with producing them have gone up, primarily through the impact of domestic inflation and tariff protection on those manufactured goods used on farm. As a result, while agriculture has contributed enormously to the nation's economic growth, farmers have borne a disproportionately large share of the cost of agricultural progress by receiving incomes which are substantially below those of non-farmers (Jackson and McConnell 1988: 668)

The farmers' economic vulnerability has been particularly recognizable in recent years in the face of a major rural recession, highlighted by circumstances such as more than two thousand farmers being forced off their farms in 1989 - sixteen hundred more than the yearly average since 1960 (Cooper 1992: 138). However, vulnerability to world economic conditions has been a major factor in Australian agriculture for most of the century. In the early part of the century, expansion of farm production was encouraged to meet rapidly growing domestic and export requirements (Throsby 1972: 13)². Wheat production, for example, increased from an average annual harvest of twenty six million bushels over the years 1881-85 to an average of seventy five million bushels over the years 1911-1915 (Connors 1972: 2). Similar increases were achieved in other rural industries. In essence, such increases meant the continuing reliance on overseas markets to sustain the profitability of farmers.

This reliance, and the fact that farmers were rapidly expanding into more and more marginal land to increase production while taking on higher debt levels, increased their vulnerability to world price fluctuations. Moreover, as the century progressed, so progressed the exporting capacity of overseas competitors and the self reliance of many developing countries which were once key markets. The resulting world surpluses have placed a further downward pressure on the prices of most agricultural produce (Throsby 1972: 16). This trend has been gravely exacerbated by export subsidy policies adopted globally.

Vulnerability to price fluctuation, and its effect on income, has been the primary concern of Australian farmers throughout the twentieth century. The need to minimise the costs of production, maximise competitiveness and develop new and differentiated products have also been major concerns. Marketing and research and development initiatives have thus been primary considerations in terms of the response to the farmers' vulnerability. This response has come from two directions: first, from the farmers themselves through self-help initiatives such as co-operatives and other voluntary schemes; and second, from the government at the behest of farmers, largely through the implementation of compulsory schemes. Both responses contribute towards understanding some of the basic principles which underlie dual accountability.

Farmer Response

Not long before the turn of the century, it had become apparent to farmers that in order to achieve certain endeavours and to stand up to the more influential forces associated with their commercial undertakings, not least the merchants and the unions, they would have to seek bargaining strength through collaborative action. Such action took two streams: commercial action based on the establishment of co-operative marketing arrangements, and political action based on the establishment of producer organisations.

Co-operatives

The answer to the farmers' economic dilemma of how to become less vulnerable to price movements in a perfect economic market seemed, to many, to be to control the flow of their produce through collective marketing power. From around the turn of the century they did this by establishing commodity specific producer co-operatives at both regional and state levels. These were predominantly based on the Rochdale co-operative model³ whereby farmers of a particular produce pooled their output, receiving a door price plus a proportional share of any surplus made after sales to consumers (Lewis 1992: 70). In theory this system would enable the producers to eliminate the middlemen, picking up the middlemen's profit share, and to influence price by controlling supply through production quotas and stock-piling. Membership of the co-operatives was, and remains, voluntary.

While today there are over six thousand co-operatives, with total membership amounting to six million in Australia (Lewis 1992: xv), only around four-hundred are rural produce co-operatives, with around 350,000 memberships (Kerin and Cook 1988: 73). However, in the formative years of co-operative development, the agricultural co-operatives dominated political interest (Lewis 1992: 99). Although co-operatives were essentially supposed to be self-help measures, a role for government was considered necessary to protect members' rights and to provide for the

legal formation, registration and management of co-operatives (Smith 1936: 79). Because Commonwealth activity in domestic trading matters is limited by section 92 of the Constitution, co-operative legislation was primarily the responsibility of the states - in any case, in the 1920s and 1930s State governments were keen to foster rural co-operatives as a means of increasing agricultural production and export income and were more than willing to pass co-operative legislation (Lewis 1992: 92).

The significance of early co-operative legislation is its recognition of the right of farmers as shareholders in the ventures and hence as parties entitled to be accounted to. In Queensland, where some co-operatives are directly affiliated with state statutory marketing boards, co-operative legislation requires the affiliated bodies to be subject to the same parliamentary accountability provisions as the boards.⁴

From the producers' perspective, the founding of a co-operative served to achieve more than just commercial ideals. It was also regarded as "something of an act of defiance, and a great deal of class feeling was often stirred up in the process" (Graham 1966: 50). In one sense, it gave the producers a feeling of entrepreneurial power over urban merchants. In another sense, it gave them a feeling of comradeship and organisation, and a belief that this would ultimately give them political power. This desire for power stemmed from paranoia about city dwellers seeking trading and class dominance over country folk (Graham 1966: 50). To the producers, it was vital that the co-operatives were run by them and solely for their own benefit. Suggestions that consumer representatives should be allowed to join were treated with disdain, as were any "socialist" suggestions that Australia should develop a broad based co-operative movement (Lewis 1992: 119).

Co-operatives were not, however, to prove a long-term viable marketing solution to many producers, although some very significant rural co-operatives still exist today. Because of their voluntary nature, many co-operatives found they could not get all producers to join. These producers would often undercut co-operative prices, as would many disloyal co-operative members acting outside co-operative marketing directives when it suited them (Campbell 1973: 97). Moreover, most rural co-operatives were found to be under-financed and poorly managed, and remained unable to break the marketing grip of stronger merchants (Dunsdorfs 1956: 225). It was also not unusual to find that different co-operatives would "compete with one another in a most un-co-operative way" (Wadham 1956: 47). To some, legislation passed in NSW in 1924 to allow "dry membership" - members not involved in actual farming - marked the beginning of the bastardisation of co-operative philosophy (Lewis 1992: 98).

For many farmers still determined to be a part of orderly marketing arrangements, the undermining of co-operative strength could not be tolerated. As a consequence, from the early 1920s, they sought the intervention of the government to legislate for compulsory co-operatives.

This proposal was attractive to the different governments - after all, the proposed marketing boards would be funded solely by the producers and would reduce "pressures on legislatures to embark on more expensive support measures" (Campbell 1973: 98). The subsequent development of these boards will be covered in later discussion.

Criticism of co-operatives still exists today. Peter Wesley, managing director of the rural division of Australia's largest agricultural co-operative, Wesfarmers Ltd, continues to make bitter attacks on the poor management practices of most co-operatives and their failure to earmark funds for growth and diversification (Wesley 1988). Cooper (1992: 1-5) argues that because rural co-operatives are basically asset rich and cash poor, they have been attractive pickings for corporate take-overs by agribusiness giants such as Adsteam, Panfida, IEL and Elders. These take-overs, he adds, are made all the easier by the excessive dry membership of co-operatives (Cooper 1992: 4).

Producer Organisations

To a large extent, the congregation of farmers into organisations representing their commodity interests preceded the development of co-operatives, although in many cases their strengths were not realised until after their formal association with compulsory marketing schemes. Indeed, the development and unity of such organisations have frequently resulted more from government encouragement than from farmer initiative. Such organisations now play a vitally important role in the dual accountability arrangements of the SMAs and RDCs.

From the middle of the nineteenth century, small rural associations were becoming a prominent feature of agrarian society. The sole purpose of many of these organisations was to do no more than organise the local agricultural show, but some comprised groups of farmers involved in specific industries and whose common desire was often to establish co-operative marketing agencies (Graham 1966: 47). It was through such small associations, however, that many farmers became aware of the wider ramifications of their industry, and by linking up with similar associations elsewhere they began to form more significant farmer organisations (Graham 1966: 47-48).

The history of Australia's major producer organisations is fairly well documented, particularly in texts on political science (see in particular Graham 1966, Chislett 1967, Trebeck 1982 and Zadnik 1992). A repeat of their works is not warranted in this dissertation. Of particular relevance, however, is the fact that most producer organisations focus on specific commodities rather than the farmers themselves. This is no doubt due to the product specialisation of large numbers of farmers within any one region of the Australian continent (Mauldon and Schapper 1974: 90) and the influence this had on the development of the commodity associations prior to their amalgamation into the more powerful producer organisations. Mauldon and Schapper

(1974: 90) also argue that farmers and governments tend to see farmer prosperity and specific commodity sales as being inextricably linked, and hence government agricultural bureaucracy is also organised along commodity lines.

The division of producer organisations into specific commodity interests has had profound effects on their organisation and effectiveness, and on their contribution to agriculture in general. On the one hand, it has enabled them to coordinate and rally support behind the statutory marketing arrangements. Indeed, the support of peak commodity industry organisations is necessary to establish SMAs at either state or federal level. On the other hand, it has generated a certain degree of parochialism and tunnel vision whereas many problems confronting farmers require the broader consideration of issues such as product mix, diversification and structural adjustment. Moreover, a single commodity focus tends to predispose farmers to demand action from government for their particular commodity (Mauldon and Schapper 1974: 90) when more appropriate solutions may lie in a multi-commodity focus or from first considering alternative sources of assistance, such as capitalising on farmers' own collective strengths. This has been one of the main principles of the landcare movement and the recent trend of government to implement policies which encourage the self-reliance of farmers.

In general, membership of producer bodies is voluntary, although under Queensland's *Primary Producers' Organisational and Marketing Act*, the state government may declare an industry for which a statutory marketing organisation will be established and oblige all producers in that industry to join the nominated industry body associated with the marketing organisation (Trebeck 1982: 133). Most farmers are members of at least one producer group and pay an annual membership fee. In theory, producer groups' policies are supposed to be developed from grass roots membership, with recommendations made at local branch level being presented up the line to regional and state levels and finally to the peak executive (Chislett 1967).

For each industry represented by a Commonwealth SMA, there is at least one major producer organisation. In many instances, such as the Wool Council of Australia and the Grains Council of Australia, the organisation has evolved from a turbulent past involving amalgamations, splits, coalitions and factionalism. Often producer organisations are peak bodies at the top of a hierarchy of many affiliated or subordinate organisations. In some cases, such as the Grains Council, the body represents a number of associated, but different, commodities. These factors in themselves make the producer bodies political beasts, not just in the way they operate in political circles, but more significantly in the sense of their own internal struggles.

Industry struggles have also manifested themselves at the coordination level between organisations representing different industries. Zadnik (1992), Trebeck (1982) Mauldon and Schapper (1974) and Chislett (1967) provide detailed accounts of the difficulties in unifying the different producer organisations into a peak national body representing all farmers. This was

somewhat achieved with the establishment, in 1943, of the Australian Primary Producers' Union (APPU), an alternative to the commodity groups and intended to represent farmers on generic rural issues, and by the formation, in 1949, of the National Farmers' Union (NFU), representing most peak commodity organisations. The APPU failed primarily because it lacked the strength of specific industry support, while the NFU failed because its constituent industry groups were often at loggerheads over issues such as protection measures (Trebeck 1982: 134).

In 1969, the NFU and APPU merged to form the Australian Farmers' Federation (AFU), which was dissolved in 1979 to re-emerge as the National Farmers' Federation (NFF). The NFF currently comprises three groups: national commodity councils, state membership organisations and associate members (NFF 1988: 463). This multi-tiered structure appears to have been necessary in order to gain producer group agreement to unite and provides considerably more flexibility than a unitary structure (Martin 1990: 158, Campbell 1985: 210-224). The executive of the NFF claim to represent farmers on "all major issues affecting farmers and the rural sector in general" (NFF 1987-88: 5).

Policy Influence

As previously discussed, the establishment of farmer organisations along commodity lines predisposed them to immediately seek government assistance as a resolution to their problems. They are, therefore, interest groups; that is, "private associations that attempt to influence public policy without (unlike political parties) wanting to become the government" (Matthews 1989:211).

As far as rural interest groups go, it has been observed that Australian producer organisations lack the lobbying power of business and union groups (Matthews 1990: 223) and even their U.S., British and Canadian equivalents (Mauldon and Schapper 1974: 91, Graham 1966: 10). Despite this, Williams (1957: 37) claims that "the emergence of an agricultural policy has been fostered by the gradual strengthening of the industry organisations representing the farmers and graziers." While there is debate as to whether there is an identifiable agricultural policy (CSIRO 1992: 6, Throsby 1972: 9), the development of statutory marketing arrangements has relied on the development of representational industry groups.

Mauldon and Schapper (1974:87) observe that Australia has a history of negotiation between government and farmers in rural policy matters, and that it was "partly to break the nexus of such negotiations that the Australian Labour Government in 1973 created the Industries Assistance Commission." This arrangement, however, continued through the 1980s:

The first six years of the Hawke government saw significant reform in Australian rural policies. Many of the major policy changes were brought

about by consensus rather than confrontation, although the pursuit of consensus was not an end in itself. Rather, the broad direction of policy was influenced by the economically rationalist goals of efficiency, restructuring and equity set by the Minister and the government.....The reforms were largely negotiated with, rather than being imposed upon the agricultural sector. (Martin 1990: 155)

This environment of compromise may well have been facilitated by the nature of the NFF, which tended to support economically rational policies while its affiliated producer groups were more inclined to support distortional policies advancing their own cause (Martin 1990: 155). There is no suggestion, however, that the NFF were ideologically sympathetic to the Hawke government. A \$3.8 million media campaign (totalling 40,000 television and radio advertisements) to raise public awareness of the rural plight (Matthews 1990: 220) and the collection of over \$10 million in contributions to the Australian Fighting Fund (NFF 1988-89: 14) are testament to their differences.⁵

Browne and Wiggins (1978: 116-117) attribute the success of US farm lobbyists to their adaptiveness and ability to lobby the right people at the right time, which usually meant the bureaucracy and other interest groups rather than politicians. Crisp (1978: 171) observes that most interest groups tend to target the bureaucracy largely because "for every one decision made by the Minister, departmental officers make hundreds, even thousands." For this reason, most of the national producer organisations are located in Canberra (Trebeck 1982: 136). Moreover, following the precedents of the American lobbyists, the Australian producer groups have become more professional, employing secretariats which tend to include a breadth of expertise, with emphasis on economics (Trebeck 137).

Politics

Given that farmers saw colonial society as a system of competing interests, particularly between rural and urban groups (Graham 1966: 43), it was inevitable that they would eventually pursue their own interests through political activity. As James Collier exclaimed in 1911:

It was impossible that men possessing such forcefulness of character as the early landholders, so well educated as most of them, and sometimes of such commanding talents as one at least exhibited, should not actively intervene in the government of the colonies. (Collier 1911: 308)

Collier was, of course, referring to John McArthur of wool industry fame, and who was said to have been responsible for the recall of the first four governors. (Collier 1911: 308). McArthur's dominance in early NSW politics typified the power and importance of the pastoral industry at

the time. Between 1824 and 1851, when the colony had in place a legislative council, pastoralists dominated council positions, having been nominated and appointed directly by a succession of governors.⁶ It is possible that the positions enjoyed by the pastoralists in these formative years contributed to their longer term expectation that they themselves should be responsible for leading the institutions of government in which they held interest.

The infant producer groups and associations of the late 1800s were, for the most part, ambivalent in their political attitude. As property owners and employers, they often sided with the conservative elements of society, such as the manufacturers and wealthy graziers. During depressions, however, they quickly sided with urban workers to demand state protection and assistance measures (Overacker 1968: 243). In terms of representational politics, however, they had no party which offered the paradoxical compromises sought between the existing socialist and conservative parties. For example, at the turn of the century, farmers generally did not want to support a Labour government which, it was rumoured, would bring agricultural workers under the arbitration system, while at the same time they felt uncomfortable supporting a conservative (usually Liberal) government more susceptible to the influence of urban traders and merchants (Graham 1966: 53).

While it can not be said that the Country (now National) Party grew out of any one producer group, it derived substantial impetus from the wheat industry, which, like the wheat industry in the U.S. and Canada, was the most active group of producers (Graham 1966 :21-22)⁷. Indeed, the initial role set out for the Country Party in its establishment in 1920 was to preserve the price stabilisation schemes put in place for the wheat industry in 1915 (Emy 1978: 675). The development of the Country Party is comprehensively documented by Crisp (1978), Emy (1978), Overacker 1968, Aitkin (1972) and Graham (1966) and need not be repeated here. However, the Country Party's contribution to the development of statutory marketing arrangements, it should be acknowledged, is significant, and probably aided by its traditional hold on the agricultural, trade and lands portfolios when in coalition government.

An important element of the Country Party's early platform was its intention to introduce a scheme of compulsory co-operative marketing boards, placing industries in the hands of statutory tribunals on which producers would have majority membership (Lewis 1992: 93). Wettenhall (1986: 4) observes that the greater part of Australia's public enterprise network has been established by non-Labor governments, and that "the Country Party has often seemed the most collectivist of all political groupings in its establishment of public marketing schemes to assist rural producers."

Producer organisations were formally affiliated with the Country Party until the 1940s. By then, however, these organisations considered such affiliation to be a hindrance to their pressure group activities, while the Country Party realised that its organisational dependence on farmer groups

limited it from becoming more broadly based (Matthews 1990: 220). It has often been contended that the Country Party traditionally drew its policies directly from those of the producer organisations, although this idea has now been discredited (Trebeck 1982: 137). The conflict between the protectionist and non-protectionist policies of the National and Liberal parties respectively seems to have been resolved more along the lines of pragmatic, electoralist⁸ strategy, with the leadership of the national party favouring the economic rationalist viewpoint over that of its rural constituency.

Government Response

As previously discussed, farmer response to the vulnerability of farming was not limited to self-help initiatives. The politicalisation of agriculture through the development of producer groups and sympathetic political parties was a clear indication that farmers expected the government to play an important role in protecting their livelihoods.

Government Intervention

Australia is a country which has been created, ordered and developed by the actions of government (Emy and Hughes 1991: 115). So has Australian agriculture.

Following the arrival of the First Fleet, Governor Phillip's most important business was to establish an agricultural industry so that the colony would become self-supporting (Dunsdorfs 1956: 4). Those who first directed agricultural activities were, in fact, employees of government, and for a few years the government was the only pastoralist, being the only owners of animals (Collier 1911: 29). By early 1800, however, immigrant settlers began to operate their own farms and were assisted by rewards and loans of animals from the government. For many decades thereafter, the role of government was very much to initiate agricultural endeavours and to then leave "the nascent growth severely alone" (Collier 1911: 30).

It is usually argued that government intervenes in a market sector, through various regulatory means, where the market fails to operate at the socially optimal level. While a market does what it does, and therefore doesn't fail in itself, the failure to meet expectations of what is socially optimal makes the issue not just an economic one, but also a political one. Sieper (1979: 10) states the consequences:

Protection is produced for a political market in which existing industry interests provide the demand and government the supply.

In the case of agriculture, which has made an enormous contribution to Australia's economic growth but where farmers have carried the major burden of its cost, governments have been

sympathetic to the producer groups' demands for forms of protection or assistance. Much of this sympathy goes beyond economic rationale. It takes into account the desire to preserve the family farm and the ideals it represents and to encourage growth and development, particularly in sparsely settled regions of the country (Lloyd 1982: 354).

There are various forms of government intervention in the agricultural sector, many of which do not concern marketing directly. For example, the government has long provided farmers with relief pay-outs during drought⁹ and other disasters, and with loans to assist viable farm operations through tough times and unviable farm operations to move into other activities. It has also provided indirect subsidies to minimise the input costs of farming. Moreover, the government has been the major funder of rural research, primarily on the grounds that it is not possible for the many thousands of farmers themselves to individually fund research for which they alone would capture the benefits (Kerin and Cook 1988: 47).

The most significant forms of government support, however, have been those directly aimed at the issue of farm income stabilisation, primarily through agricultural price policies. These have included, for the most part, price support and discrimination schemes which are aimed at keeping the agricultural price above the market price that the normal forces of supply and demand would otherwise establish, and stabilisation schemes which are aimed at maintaining approximate stability in the price received for agricultural products in the face of short-run fluctuations in supply and demand (Jackson and McConnell 1988: 669). Watson and Parish (1982: 326) point out that while it is possible for governments to use fiscal methods to support or stabilise prices, the preference is to establish compulsory co-operative marketing arrangements as this provides greater opportunity to disguise the effects of intervention from the public at large, and to satisfy the institutional demands of producer organisations.

Statutory Marketing Authorities

The history of the English colonies in Australia and New Zealand is instructive because it shows what the English race naturally attempts when it is freed from English tradition. (Alfred Deakin 1893)¹⁰

The establishment of statutory authorities as innovative administrative structures to undertake large scale public enterprise activity was first pioneered in Australia with the creation of the Victorian Railway Commission in 1883 (Wettenhall 1967). This innovation was soon to be repeated world-wide. Moves by government to establish compulsory primary producer co-operatives, in the form of statutory marketing boards, were also first pioneered in Australia and, again, eventually copied elsewhere (Vinning 1980: 1).

Vinning defines a statutory marketing authority as a:

statutory body with producer representation whose purposive intent of regulating the marketing of the primary product for which the body is constituted is backed by legal powers of compulsion. (Vinning 1980:2)

Using this definition, Vinning identified sixty-nine SMAs in Australia, eleven (now nine) of which were Commonwealth established. While it is possible, under the Commonwealth reforms of the 1980s for some Commonwealth SMAs not to have producer representation, such an occurrence is highly unlikely. However, with this proviso, all Commonwealth SMAs accord with Vinning's definition.

It should be noted that the first statutory marketing arrangement was not the establishment of a marketing authority, but the imposition, in 1902, of an excise on all manufactured sugar, both domestic and imported, which was used to subsidise those Queensland canegrowers forced to use more expensive European labour after federation (Industry Commission 1991: 18). The first SMA, the Australian Wheat Board (AWB), was in fact established in 1915 as a consequence of the earlier imposition of federal legislation to limit free exportation of wheat, and state legislation to compulsorily acquire all wheat produced for marketing. This initiative was not undertaken primarily for the benefit of farmers, but to prevent the export of Australian wheat to enemy countries during World War I (Dunsdorfs 1956: 13).

The establishment of the AWB highlights perfectly the limitations imposed on the Commonwealth by the Constitution in respect to marketing. While the Commonwealth may legislate to regulate trade with other countries (Section 51), domestic marketing issues are left to state legislatures (section 92). Where the Commonwealth requires the regulation of domestic marketing, it requires the co-operation of the state governments to pass the necessary legislation, usually regarded as complementary legislation. However, the states do not only pass statutory marketing legislation for the benefit of the Commonwealth - a substantial number of statutory marketing boards have been established within states. Indeed, Queensland was a pioneer in the development of marketing boards and various forms of marketing legislation in the 1920s.

The establishment of SMAs usually constitutes government intervention to the market in a number of ways: first, it requires legislation to set up an authority and to define its functions and powers; second, it requires further legislation to impose a compulsory levy on producers which is used to fund the authority and its marketing activities; third, it may require measures such as tariffs or quotas to protect the authority from domestic or overseas competition; fourth, it may require the passage of complementary legislation, such as that described previously for wheat; fifth, it usually provides for the exemption of the authority from the provisions of restrictive trade practices or consumer protection legislation; and sixth, it may provide for cheap finance to support certain activities of the authority (Watson and Parish 1982: 328).

The powers required to undertake many of these functions have necessitated considerable autonomy and administrative and commercial flexibility. For this reason, SMAs at the Commonwealth level have traditionally been bestowed with body corporate status and the direct delegation to carry out considerable commercial powers.

The level to which each SMA regulates the market varies widely; from the issue of export licenses to the compulsory acquisition and pooling of produce for the purpose of monopoly trading. This will depend on the reason for the establishment of the SMA which, in attempting to stabilise or improve producers' incomes, may include the need to: countervail the power of merchants, processors and other intermediate buyers; stabilise prices and production; maximise returns from exports; provide market information; develop markets and undertake market research; obtain economies of size and scope in marketing; establish grade standards and quality controls; and provide industry assistance (Industry Commission 1991: 37).

Usually SMAs are required to be established at the behest of producer groups. A description of the process, which refers to the early Queensland practice of referendums, provided for under the Queensland Agricultural Marketing and Control Act 1926, is offered by Smith:

A prescribed number of producers of a commodity may petition the Governor-in-Council to apply the Act to such commodity. A subsequent petition may in like manner be made requesting that a poll be taken on the question of setting up a Board to control the marketing of a commodity. The franchise is extended not only to the grower, but also to such sons as are over 18 years of age and working for keep and not wages. A 60 per cent majority of those voting and a total poll of not less than 50 per cent of all those entitled to vote is required before a proposal to constitute a marketing board can be carried. It is then that "compulsory co-operation" begins, for the board has power to compel all growers to market their commodity through it and even to expropriate the produce. (Smith 1936: 54)

Not all SMAs, however, have resulted from referendums, and many of the Commonwealth SMAs were established through a process of negotiation between producer groups and government (Campbell 1973: 103).

Smith's reference to franchise is important, as it reinforces the concept of shareholdership in the authority upon its establishment. This is made more clear when Smith contrasts this ownership:

It should be noted that, as with Parliamentary franchise, there is no property qualification. Some regard, it might reasonably be expected, should be had

to the amount of each producer's output in determining whether or not it shall be subject to control. The system appears, therefore, to require not too great a disparity of economic status.....in any case, true co-operation aims at a "union of men, not a union of capitals." (Smith 1936: 54)

The imposition of levies on a producer's output, together with funds raised by means of an SMA's marketing activities, provide the main source of each SMA's budget. The point in the marketing process where the levy is imposed varies across industries, but because they are a form of legislated taxation, they are collected into the coffers of the Treasury before being appropriated to each SMA by the Department of Finance.

The sense of franchise, reinforced through the levy system, has naturally brought the relationship between producer and SMA closer than in the case of most statutory authorities and their clients. Friedmann and Garner (1970: 228) note that rural marketing authorities are the exception as regards public participation in statutory authority activities. Throughout most of the history of SMAs, until at least the mid 1980s in the case of Commonwealth SMAs, recognition of producer ownership and right to control has been expressed through producer dominance on SMA boards (Campbell 1973: 101). The exception to this has been where the SMA is established in respect of industries where there is significant domestic processing, as in the dairy and wine industries. Here, the domination of levy paying processors on the boards, proves the axiom, "those that pay, play."

The means by which board membership has been selected has also varied across SMAs, states, industries and time. In some cases, selections have been made directly by producer groups or by the different state affiliations of producer groups. In other cases they have been made by the direct selection of the minister, or by nominations of selection committees. Whichever way, it is usually the responsibility of the Minister to make the final appointment.

While direct participation in the decision making process represents a strong form of mutual accountability (see Chapter 2), traditional forms of selection have been subject to criticisms of patronage and cronyism (see in particular Davies 1982: 167-180). Concern has also been expressed in the past about the lack of consumers' interests being represented. Whitlam tried to counter this by ensuring that some representatives had proper marketing expertise and could contribute to the operations of the board in a more business-like way (Watson and Parish 1982: 329, Martin 1990: 170). The appointment of government representatives on boards has also been said to take into account the public's interest (Watson and Parish 1982: 329).

The domination of producers on the boards has tended to narrow the business outlook of SMAs, particularly where the producer representatives have pushed the issues of the specialist commodity farmers and not those of the mixed enterprise farmer (Watson and Parish 1982: 329).

On occasions this had led to excessive self-interest and, subsequently, conflict of interest and abuse of power. Conroy (1981: 73-75, 89-91) cites examples of such conflict leading to the abandonment of the Queensland Potato and Onion Marketing Boards.

The dilemmas of public enterprise accountability discussed in Chapter 2 were becoming apparent in Commonwealth SMAs:

While they are ultimately accountable to Parliament, this accountability is rarely strongly enforced, given the competing pressures on the time of parliamentarians. The potential exists for SMAs to become a power unto themselves, given their ability to impose levies on the products with which they are involved; the expertise and resources associated with their activities; and the attraction of board membership to leading members of industry organisations. SMAs can potentially use all of these assets to obtain support within industry for proposals which may suit their own institutional interests, but not necessarily those of producers. (Martin 1990: 171)

Largely because of the problems of membership, expertise, conflict of interest and other criticisms of statutory authorities identified by the RCAGA, all aspects of Commonwealth SMA administration were reviewed in the 1980s. The substantial reforms made as a consequence of the review are described in subsequent chapters.

Research Funding Administration

At the Commonwealth level, statutory authorities have also been established to fund research and development activities on behalf of farmers. While these organisations were not granted body corporate status until after the late 1980s, they share much of the historical, institutional and political background of the SMAs.

Successive governments have accepted a number of arguments for their intervention in regards to rural research. These, again, rest mainly on market failures, including: the unlikelihood that potential investors in research would capture a sufficient proportion of the benefits to warrant investment; the high degree of risk involved in research which discourages investment; and the small scale of farm enterprises which prohibits the level of investment required (Bartos 1989: 47).

From the late 1800s, agricultural research was predominantly the function of state government departments of agriculture (Jessup and Dun, 1982: 107). They were followed shortly thereafter by the tertiary sector, including the Roseworthy Agricultural College (1883), and the agriculture schools established in the Universities of Sydney (1910) and Melbourne (c. 1910) (Jarrett and

Lindner 1982: 84). The Commonwealth government also became directly involved in undertaking rural research following the establishment of the Institute of Science and Industry (now CSIRO) in 1920. Today, around 99 per cent of rural research is undertaken by government institutions, with 49% performed by state governments, 34% by the Commonwealth government and 16% by higher education institutions (Kerin and Cook 1989: 26).

However, some of Australia's most significant research outcomes have not been the result of institutional research and development. Rather, they have arisen from those with farming interests who have had to adapt to an environment in which European farming methods and equipment are not adequate: for example the stripper harvester developed in the 1840s, the stump jump plough developed in the 1870s, and the combine harvester invented early this century. Yet the results of such technological breakthroughs demonstrated to the rural community as a whole the potential of research to expand production and productive efficiency and to overcome the impediments to production such as disease, low water availability and poor soils. Consequently, in much the way producers co-operated voluntarily to market their produce, they also initiated voluntary research schemes, the most significant being the Pastoral Research Trust (BRR 1988: 31).

Tracing the subsequent history of the Pastoral Research Levy (PRT) illuminates the general directions, and some of the principles, of Commonwealth government involvement in research funding.¹¹

As had occurred with the operation of the co-operatives, voluntary research levy schemes such as the PRT were not completely successful. This was largely due to the difficulty in collecting the levy in a fair and equitable way. As a consequence, in 1936 the wool industry, needing a more concerted research effort to compete with the growing synthetic fibre industry, approached the government with a request for statutory powers to "help themselves to further organise and improve their industry" (Hansard Vol 152 1936:2199). This request was granted at the same time as a request to establish an SMA for the wool industry, and hence research funding administration became one of the functions of the Australian Wool Board.

In 1945, the government considered wool research funding to be inadequate, and therefore legislated, and created the precedent, for the matching of industry research levies pound for pound. The cost of this was the transfer of control of the research account to a committee of four government departments, presumably on the ground that general tax-payer funds were now involved. In 1953, however, the government reverted this arrangement, giving the Board (at that stage a Bureau) autonomous control of both the levy and tax-payer contributions to the research account. Wary of the embarrassment control of tax-payers' funds by an autonomous and producer dominated statutory authority could cause, the government provided for the position of a government representative on the board.

In 1957, control of the research account was again removed from the Bureau, and placed in the hands of a statutory advisory committee, the Wool Research Committee. This committee, as with other commodity research committees which preceded and followed it, comprised nine members including a chairperson, representatives from the Department of Primary Industry and CSIRO, and six producers representing different sectors of the wool industry. Funding decisions were made by the minister on the basis of the Committee's recommendations.

Until the reforms of the 1980s, this last arrangement remained relatively stable.

Notes

1. Freeman (1986: 22) defines this as meaning farms operated by one family employing no more than an additional 1.5 man years in labour, and which utilise agricultural technology to the extent that they can make their living competitively in the marketplace. Presumably he assumes non-distorted markets. It needs to be recognised, however, that family control of farming is slowly being eroded by the growth of agribusiness, typically in the form of large multinational corporations (Clegg 1986: 74). Nugent Smith (1984: 170) goes so far as to suggest that "in the longer term, we may see a situation in Australia where our farmers merely become franchise operators of giant corporations."
2. Wheat production, for example, was boosted by State land acts which settled numerous small selectors, while tariff protection gave them the chance to get started (Connors 1972: 1)
3. Rochdale co-operatives were a form of co-operative first developed in Rochdale, England in 1844 when twenty-eight weavers jointly established a retail store on democratic rather than capitalistic principles. The history of Rochdale co-operatives in Australia has been painstakingly and comprehensively documented by Gary Lewis (1992).
4. In its report on Statutory Marketing Arrangements for Primary Products, the Industry Commission considered that "where statutory power is, in effect, transferred to a co-operative, then that co-operative should be just accountable to Parliament and to producers as an SMA pursuing the same functions would be" (Industry Commission 1991:109).
5. To date, most of the expenditure from the fighting fund has been used to support rural employers in industrial disputes (Zadnik 1990: 73-75).

6. After 1951, council positions were filled by popular vote, and thus pastoralist dominance came to an end.
7. Not a coincidence, but due to the common problems of price stabilisation in a rapidly expanding world market.
8. A term coined by Dean Jaensch, in his book *The Hawke-Keating Hijack* (1989), to describe a "lets get elected at all costs" approach to policy.
9. The Commonwealth government no longer considers drought to be a disaster, but an inevitable risk of farming which must be managed for (Crean 1992).
10. Quote from an article by Tim Hutton, "Why Government Became so Involved in Business", *Business Review Weekly*, 14 January 1988.
11. The following passages are substantially based on the documented history of primary industry research legislation to 1988 prepared by the Bureau of Rural resources.

CHAPTER 4

FROM MUTUAL TO DUAL ACCOUNTABILITY: THE PRIMARY INDUSTRY REFORMS OF THE 1980s

SMA and RDC are distinct from most other statutory authorities in that they operate on behalf of specific industries, primarily with the use of those industries' funds¹. They do not perform a business or service function for government - although government may derive longer term social and economic benefits from their activities - but like other statutory authorities, their functions and powers are derived from legislation. That they are funded from industry and established under statutes has provided the rationale for their accountability arrangements, which require them to be accountable to both Parliament and the industries they serve.

This code of accountability is entirely consistent with the views of Wagner (Chapter 2), namely that there is an obligation for a body to account to those who empower it with certain responsibilities and are thus entitled to receive account. In this case, SMA and RDC are empowered by Parliament with responsibility to perform certain functions, and empowered by industries with the provision of funds to carry out those functions. Obligation and entitlement exists in two directions, and therefore dual accountability evolves.

Until the mid-1980s, the process of SMA and RDC accountability was very much based on traditional hierarchical accountability to Parliament through the provision of annual reports and subjection to financial audits by the various predecessors of the Australian National Audit Office. They were, of course, also accountable to industry, but this was perceived to be achieved through dominant industry representation on the various boards and committees. While this is a form of mutual accountability as discussed in Chapter 2, it is not a form of accountability based on equity or the consistent application of principles. Indeed, by having representation on the boards of SMA, the industries themselves became, in a sense, indirectly accountable to Parliament. Moreover, Wettenhall (1986b: 81) observed that having dominant representation on the boards inevitably led to them becoming embroiled in industry politics, hence distracting them from their primary task.

These were but two unintended consequences of the traditional representational form of accountability. Newton (personal communication) further argues that this traditional arrangement gave producers significant power but no responsibility. As a result, the minister was frequently criticised for the actions of industry boards while having little influence over them. Moreover, there was a view that producer domination limited the authorities' ability to achieve the best results for their industries (Kerin 1986: 15, Newton 1990: 126). Together with the need for Australian primary industries to become more competitive in the face of a changing global market, the government perceived the need to embark on a major process of reforming

both the marketing and research authorities. These were to lead to more formal forms of strategic and dual accountability.

Overview of the 1980s Reforms

Statutory Marketing Authorities

The development of policy resulting in the reform of SMAs is traced back to the work of the RCAGA (Newton 1990: 121, Wettenhall 1986: 83). From within the Commission, Peter Bailey, together with Roger Wettenhall, appointed as a consultant to the Commission to "suggest guide-lines for the structure and operation of statutory offices or organisations" (RCAGA 1K 1976: 311), made a number of recommendations which were to be eventually adopted in the SMA reforms as well as in reforms of government business enterprises. Like many of the Commission's recommendations, however, they were not implemented until after the initial election of the Hawke government (Halligan and Power 1992: 75, Wiltshire 1990: 27, 39), although they had been considered by various committees and working groups in the intervening period.

By the time John Dawkins, as the Minister for Finance and the Minister assisting the Prime Minister for Public Service Matters, began to consider the reform of statutory authorities in 1983, he had before him a myriad of recommendations regarding their operations, control and accountability. These included, in addition to the RCAGA reports, *Guidelines for the Creation of Statutory Authorities* prepared by a Fraser government working party under the chairmanship of former Public Service Board Commissioner Evan Collings; a series of reports prepared by the Senate Standing Committee on Finance and Government Operations (SSCGO) under the chairmanship of Senator Rae; the *Report on the Task Force on Government Administration* prepared by the federal ALP's Machinery of Government Task Force just prior to the Party's election in 1983; and the work of an Inter-Departmental Committee comprising bureaucrats from the Departments of Prime Minister and Cabinet and Finance, and the Public Service Board.

At the same time as concerns were being expressed about the operation of statutory authorities in general, questions were being raised specifically about the operation of the SMAs. During the Whitlam government, a review had been initiated to ensure that "SMAs could adequately meet new challenges in marketing" (Newton 1990: 122). Outcomes of this review included increasing the number of SMA board appointments made by Whitlam based on expertise (Martin 1990: 171) and the increase in SMA financial flexibility. This was followed by a process of amending SMA legislation to change SMA names from "board" to "corporation" to reflect these outcomes (Vinning 1980: 9). Further concerns, however, were soon raised by the SSCGO in 1981 about the operation of the Australian Dairy Corporation and the activities of its subsidiary,

Asia Dairy Industries (SSCGO 1981), and by the Auditor-General (1981: 91-94) that same year about the reporting practices of the Australian Wheat Board.

On coming to government in 1983, both Kerin, as the Minister for Primary Industry, and Dawkins had cause to reform the government's statutory and statutory enterprise authorities. They also had the groundwork to progress with their tasks, but in so doing, each went his separate way; Dawkins, followed by his successor, Walsh, pursued the development of a Green Paper proposing policy guide-lines for the statutory authorities and government business enterprises, while Kerin pursued the preparation of a White Paper proposing reforms to Commonwealth SMAs.

By all accounts, the preparation of the green paper and the subsequent release of the document, *Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises* seems to have been a long and arduous process (Wettenhall 1986: 83-89), undertaken with little consultation with those organisations likely to be affected by its recommendations. This is in contrast with the SMA reform document, *Reform of Commonwealth Primary Industries Statutory Marketing Authorities*, which progressed relatively swiftly and with a great deal of consultation with industry and the SMAs themselves (Newton 1990:123). At the end of the day, both documents shared much in common, adopting a number of principals raised in Hugh Stretton's report to government on the design and direction of Commonwealth business enterprises, *Directing the Australian Public Sector* (Stretton 1984: 196-215). These principals mainly centred on the government taking a facilitative enterprise approach towards business authorities as opposed to a heavily control based authority approach.

During the development of the SMA policy paper, Kerin had the opportunity to experiment with some of its underlying principles by applying them specifically to the marketing and research arrangements for the meat and livestock industry. Prominent amongst the principles was the concept of strict separation of functions while retaining consistent accountability processes; the theory being that one organisation should focus on one function for one industry. In the case of the meat and livestock industry, this principle was extended beyond the research and marketing arrangements to embrace the policy development and board director selection functions. In all, four statutory authorities were established: the Australian Meat and Livestock Corporation (AMLC), being the reformed SMA; the Australian Meat and Livestock Research and Development Corporation (AMLRDC), resulting from the corporatisation of the Australian Meat research Committee; the Livestock and Meat Industry Policy Council, comprising representatives of government and industry; and the Meat and Livestock Corporation Selection Committee which was responsible for selecting directors to both the research and marketing authorities. The most novel reform introduced to the research and marketing arrangements, however, was the requirement to hold an annual general meeting whereby the AMLC and AMLRDC each accounted for its activities before an assembly of its levy payers.

When announcing the principles underlying the intended reform of the meat and livestock arrangements, Kerin as early as 1983 had provided a clear indication that he was well ahead of the Finance portfolio in terms of innovative thinking. Moreover, his plans had preceded the conceptualisations of Stretton. Some of this thinking is reflected in his argument that the meat and livestock reforms, in addition to establishing a Policy Council, were intended to:

enhance the capacity of the Australian Meat and Livestock Corporation to operate effectively in a commercial environment...through the specification of clear objectives, replacing Corporation Board representation from the various industry sectors with a Board comprised of persons selected on the basis of their qualifications and experience in specified areas, and the development of corporate plans; to improve the effectiveness and efficiency of research and development through the establishment of a Research and Development Corporation; and to improve the accountability of [these] statutory organisations to both industry and Parliament, through the development of corporate plans, effective annual reporting and the holding of Annual General Meetings. (Kerin 1983:2)

Clearly Kerin was adopting initiatives being pursued in Britain and other parts of Europe as a means of untangling the dilemmas of public enterprise accountability (Chapter 2), particularly in regard to the role of corporate planning as a tool of strategic accountability.² However, rather than applying this in addition to forms of mutual accountability, such as public participation and client orientation, Kerin used strategic accountability as a tool to achieve mutual accountability. The same strategic processes which were to apply to board accountability to government were also to apply to board accountability to industry. This changed entirely the perception of industries' role in the accountability process and required radical changes to the authority/industry relationship.

An important part of the reform process was to remove as far as possible the government controls, administered by up to eleven different departments, on the day-to-day operation of the SMAs. The same theory was to apply to industry control, until then applied through board domination, by proposing changes to board membership arrangements. The result of these proposals, and the intended use of strategic plans as an alternative mechanism of control, was to re-orient the position of industry more akin to that of the government. In the terms coined by Mackenzie (1975), the processes of horizontal and downward accountability were becoming vertical, but in two different directions.

The reform proposals were endorsed by Cabinet in November 1985, and released as the White Paper in 1986, ahead of the Finance Green Paper³. In it, Kerin described five key principles:

first, the objectives and the functions of the authorities would be clearly spelt out in their enabling legislation; second, there would be governing boards constituted on a corporate basis; third, the authorities would have the autonomy, responsibility and authority to carry-out their functions; fourth, the minister would relate to the authorities at a strategic level through corporate and annual plans; fifth, the authorities would become more accountable to both the minister and their industries.

Shortly after the release of the White Paper, the principles were quickly implemented through amendments to the enabling legislation of the Australian Wheat Board, the Australian Dairy Corporation, the Australian Wine and Brandy Corporation and the Meat and Livestock Corporation. New legislation was also passed to create the Australian Pork Corporation, the Australian Horticultural Corporation and the Australian Dried Fruits Corporation, and to reform the Australian Wool Corporation and the Australian Honey Board. More recently the Australian Dried Fruits Corporation and the Australian Honey Board have been reconstituted into Product Boards of the Australian Horticultural Corporation.

As Newton (1990: 122) suggests, accountability arrangements were not the sole, or even the main, reasons for reforming the SMAs. Kerin was concerned that the SMAs needed to become more entrepreneurial given the rapid changes in the domestic and international agricultural markets (Kerin 1985: 1). That the reforms were at the initiative of government and not industry is an indication of its belief that there were wider social implications and benefits resulting from the performance of SMA functions.

Specific discussion on, and analysis of, SMA dual accountability arrangements is covered in the next chapter.

Rural Industry Research Funds

It has been argued (Evans and Williams: 1989: 64) that Commonwealth involvement in funding industry-specific research has largely been incidental to its support of other industry support policies, and that for this reason rural research policy has been developed in an ad hoc fashion. While the example in Chapter 3 of the wool industry research arrangements demonstrates a degree of incrementalism, it also reflects a logical evolution not unlike that experienced by the SMAs.

Criticisms of Rural Industry Research Funds (RIRFs) have usually been along the same lines of those directed at SMAs, although because they are responsible for the distribution of both industry and government funds to sections of the community to undertake research and development activities, they are also open to much wider criticism, particularly from potential recipients of funds. Those in the research community, for example, felt that producer

domination in the decision making process limited the breadth of research supported (Lewis 1972: 91) and limited the scope for applications to be assessed on scientific and commercial grounds. As with the SMAs, the RIRFs needed to adapt to the changing international and domestic marketing environment and to consider research and development problems beyond the farm gate. In particular, there was a demand for processing, storage, transport and marketing research and development (Newton 1990: 132).

While research committees relied to some extent on peer review to provide scientific, and sometimes even economic, assessment of applications, the government considered that it was essential for them to progress from reactive institutions to proactive ones responsible for "setting priorities and stimulating research in high priority areas" (Newton 1990: 135). To achieve this would require more than reliance on peer review; it needed a more appropriate committee composition which could take these issues into consideration in a strategic planning context.

There was further criticism. The Joint Management Review of Research Administration by the Department of Primary Industry and the Public Service Board in 1983 criticised RIRF committees for being passive in the selection of project proposals and for not considering the rates of return from the projects. Further, they believed that the Department should progressively divest itself of administrative involvement. The Senate Standing Committee on National Resources (SSCNR) recommended in 1982 that the levy system to fund research be periodically reviewed, that industries not already covered by statutory research arrangements should be encouraged to do so, and that industries already covered should increase their levy contributions.

On its election in 1983, the Hawke government gave a commitment to overhaul the RIRF arrangements in addition to reforming the SMAs. As with the SMAs, the meat and livestock industry was used as a testing ground. In so doing, the Australian Meat Research Committee was corporatised in 1985, severing its links with the Department of Primary Industry and taking on the commercial powers provided with its body corporate status and legislation. The resulting organisation, the AMLRDC, like its marketing relative, was subject to the same principles of accountability, board membership and strategic management processes.

In introducing these principles to the other RIRFS, the government took a different tack. Many of the other industries were too small, and possibly too conservative, to warrant corporatising their research committees. Instead, the basic SMA reform principles were applied to these organisations as statutory research councils established under a single act of Parliament, the *Rural Industries Research Act 1986 (RIR Act)*. This kind of act had its precedent in the *Primary Producers' Organization and Marketing Act 1926* used in Queensland to establish different state SMAs through simple regulations. In a compromised form, the research councils had more professional, expertise based boards but maintained for the most part their

administrative links with the Department of Primary Industry. They were also held accountable to industries and government alike through strategic planning processes, but unlike the AMLRDC, were not required to hold an annual general meeting. Moreover, the councils shared a single statutory selection committee comprising four core members and three different industry representatives for each council.

In addition to adapting the SMA reform principles, two further initiatives were taken to meet some of the concerns of the Joint Management Review and the SSCNR. First, to encourage additional industries to join in the statutory research arrangements and old ones to increase their levies, the government gave a commitment to match industry research levies up to the equivalent of 0.5 per cent of their gross value of production. Second, to further instil the importance of a broadly based, entrepreneurial approach to research funding, the *RIR Act* substantially widened the definition of research and development to include:

the systematic experimentation or analysis in any field of science, technology and economics carried out with the objective of acquiring knowledge that may be of use for the purpose of improving any aspect of production, processing, storage, transport or marketing of commodities covered by the research arrangements, and applying such knowledge. (*RIR Act* 1986: 2)

The councils' accountability arrangements, while similar to those of the SMAs, were also novel in that each council was accountable to industry not merely for the expenditure of that industry's funds, but also for the expenditure of the Commonwealth's matching appropriations. Moreover, in the case of the Australian Special Rural Research Council (ASRRC), which was responsible for emerging industry and cross-sectoral research funding and which derived nearly all its budget from the Commonwealth, there was now an organisation directly accountable for the expenditure of government funds to a non-funding, non-government body, namely the NFF.

The reforms of the RIRFs in the mid 1980s can now be recognised as an interim arrangement before the process of full corporatisation took place in the late 1980s, although this may not have been the government's intention at the time of drafting the *RIR Act*. However, the establishment of the AMLRDC in 1985, and then another R&D Corporation for the horticultural industry in 1987, were indications that other RIRFs might inevitably follow this path.

The eventual corporatisation of most of the remaining RIRFs commenced in 1989, following the preparation of another White Paper, *Research Innovation and Competitiveness*, which was released as part of a broader package of government initiatives on science and technology. In his second reading speech introducing the *Primary Industries and Energy Research and Development Bill 1989* (which subsequently became the *PIERD Act*), Kerin outlined the advantages of the corporatisation process:

The proposed R&D Corporations will provide strategic leadership to industry R&D and act as a catalyst to stimulate R&D interest within industry. They will take a pro-active role in identifying and filling gaps in the research effort. It is expected that the R&D Corporations, operating on a more commercial basis, will be able to expand the level of resources available for R&D, and improve the efficiency with which R&D monies are spent and bring focus to funding R&D in high payoff areas. (Kerin 1989: 3)

The reforms introduced through the corporatisation process again reflected SMA reform initiatives, including the dual accountability and strategic planning arrangements. Like the RIR Act before it, the PIERD Act was also a single piece of legislation which enabled the creation of any number of R&D corporations through regulations. Almost immediately after the Bill's enactment, the research councils began to corporatise, retaining their original industry funding base and matching Commonwealth contributions, but shedding their departmental support and adopting organisational structures more closely reflecting business enterprises. Some of the research councils amalgamated to form single corporations, such as the Grains R&D Corporation, while others remained as councils but were given access to corporation powers and secretariat assistance through the Rural Industries R&D Corporation which replaced ASRRC.

A notable development in these latest reforms was the corporatisation of research funding arrangements not previously administered by research councils or by any of the RIRF predecessors. This included the establishment of the Land and Water Resources R&D Corporation and the Energy R&D Corporation, both of which replaced fully government funded programs administered as departmental functions. The application of dual accountability arrangements to these two corporations distorted the way the principles were applied across all the corporations. They do, however, provide some valuable insights into the potential for the application of dual accountability processes to other areas of government. These matters will be discussed in the next chapter.

R&D corporations and councils established under the *PIERD Act* are listed on Table 2, Chapter 1. It should be noted that the AMLRDC and the Horticultural R&D Corporation are each established under its own specific legislation.

1. Three RDCs are an exception to this. The Rural Industries, Land and Water Resources and Energy RDCs are funded primarily from government appropriation.

2. Newton (personal communication) argues that there was no conscious effort to copy the administrative systems being explored and implemented in Europe. Rather, the reforms were inspired by the logical application of modern corporate planning techniques.
3. Wettenhall (1986: 85) was later to describe this more as a coup, whereby Kerin "upstaged" the Department of Finance.

CHAPTER 5

The Instruments of Dual Accountability: Theories and Realities

Legislative Base

As statutory authorities, each SMA and RDC is established by an Act of Parliament. In the case of the SMAs, each authority has its own specific legislation, while most of the RDCs, except the meat and horticultural RDCs which also have their own legislation, share the *PIERD Act*. Until the reconstitution of the Australian Wool Corporation (AWC) into four different organisations in 1991, the Wool R&D Council and the AWC shared, albeit distinct sections of, the *Wool Marketing Act*.

It was discussed in Chapter 2 that the basis for good accountability must start with clearly defined and articulated statements of charters, responsibilities and relationships (Barker 1982: 31-32, Sedgewick 1992: 8-11, RCAGA 1K 1976: 333). Kerin (1983: 2) embraced this view:

An SMA could not be expected to function effectively unless...the objectives set for the SMA have been translated into a clearly defined and understood statement of role and functions.

Each of the SMA and RDC enabling Acts specifies the principal objectives for the authorities created by them. Furthermore, the powers and functions delegated to the authorities are limited to those necessary to achieve the stated objectives (Newton 1990: 125). Kerin (1986: 5) states that the reason for this is to ensure the authorities:

direct their activities to their specific roles and objectives and not become involved in issues outside their charter. In particular they should not act as vehicles for the representation of agro-political interests to government.

Given the importance of the legislative drafting in determining the functions and powers of the authorities, the process of negotiating and drafting the underlying principles became an intrinsic part of the accountability process. Martin (1990: 155) observes of the primary industry reforms that "many of the policy changes were brought about by consensus rather than consultation." In the case of the *PIERD Act*, there was very little disagreement between industry and government, or debate in Parliament, about the proposed RDC objectives, functions and powers. Remarkably, these were subject to much more intense negotiation between the various industry branches of the bureaucracy.

In addition to specifying objectives, functions and powers, SMA and RDC legislation also provides the authorities with their body corporate status and requirements for board membership

and selection. The most significant portion of each Act, however, is given to outlining the accountability relationship of the authority with its industry and with the minister and Parliament. In the case of the research councils under the *PIERD Act*, the legislation also outlines their relationship with the Rural Industries RDC (RIRDC).

The creation of the *PIERD Act* as a single piece of legislation to cover a number of organisations has several advantages. First, it reduces the amount of legislation administered by the minister. Second, it enables new corporations and councils to be established without the long delays caused by the legislative process. Third, and perhaps most significantly, it is an expression by government that it intends that each industry's research administration and accountability arrangements operate under common principles. Even the unincorporated research councils established under the *PIERD Act* operate under the same objectives and share the same functions. Indeed, they also have access to the same powers through their special relationship with the RIRDC.

However, because the *PIERD Act* is applied generically across a number of industries, it tends to come under the most pressure for amendment. As such, its common principles can be bastardised depending on the government's resolve to maintain them in the face of industry demands for specific exceptions. While variations are necessary in some instances to take into account the technical differences between industries, examples of government concessions to industry are beginning to appear in recent amendments. This is most apparent in the case of the Wool RDC which was established under the *PIERD Act* in 1991, a year after most of the other RDCs were established. In this case, wool industry demands to alter the board membership and selection arrangements specifically for the Wool RDC were agreed to by government. Subsequently the *PIERD Act* was amended.

Such amendments, when altering fundamental principles within a single Act, could erode the RDC arrangements altogether in the longer term. Certainly it gives industries the impression that the principles are open to industry by industry negotiation. This raises an important question: on who's terms do the dual accountability arrangements operate? To exclude individual industries from determining their own legislative needs is to deny them an important element of accountability process, namely to establish the terms by which the authorities use their funds and account to them. On the other hand, it is the legislative process which is the government's form of assistance to industry, and it is through the legislation that the government attempts to define the extent of control over the SMAs and RDCs - in this case to uphold the basic premise of statutory enterprise and limit as far as possible both government and industry control. In this sense, the more industry attempts to shape the legislation, the more it is asserting a level of control contrary to the authorities' organisational purpose.

In a report on statutory marketing arrangements for primary industries, the Industry Commission (1991:8) recommended that government support of statutory marketing initiatives should adopt an economy-wide approach. Gleeson and Lascelles (1992: 8) observe that the issue of social benefit to the nation is taken into account in the objects of the *PIERD Act*, but not in those Acts established separately for the meat and horticultural industries. They argue (1992: 9-10) that consistency in objectives across the Acts will lead to greater cohesion of effort by the RDCs and thus increase the economic benefits to the wider community.

In addition to their enabling legislation, each SMA and RDC funded in whole or part by a levy has its own industry specific levy Act. These Acts usually cover both the marketing and the research levies, and specify the point where the levy is imposed, the maximum rate of the levy and the party responsible for payment (DPIE 1992: 2). Some SMAs and RDCs are funded by a number of segments of their associated industry, in which case levies may be imposed through different mechanisms under different Acts. The *Primary Industries Levies and Charges Collection Act 1992* controls the collection of the levies and charges imposed by the various Acts.

Representative Organisations

To this juncture, this dissertation has discussed dual accountability in terms of an organisation's accountability to both Parliament and industry. The concepts of Parliament and industry, however, are incongruous; Parliament is a distinguishable body, with distinct systems, processes and practices and given legitimacy through the Constitution. Industry, on the other hand, is an amorphous and anomalous mass of individual, albeit productive, activity. It needs to take some recognisable form before it can be accounted to in the same sense that Parliament is accounted to.

It is useful to reflect on the concepts of accountability proposed by Wagner which were discussed in Chapter 2, specifically that in order to be accounted to, a body requires entitlement to that accountability. This is in fact recognised in all legislation establishing SMAs and RDCs. Through regulations delegated in each of the enabling Acts, specific organisations are identified and gazetted as representing the broader interests of the industries associated with each RDC and SMA. It is the regulatory instrument which provides these organisations with entitlement to the accountability provisions of the Acts. These organisations are referred to as "Representative Organisations" in the *PIERD Act*.

In most cases the identification of such bodies to act as Representative Organisations has not been difficult - they have for most part been long associated with the statutory research and marketing arrangements and have played a role in the SMAs' and RDCs' evolution. In theory, where the establishment of an SMA or RDC is supposed to be on the basis of industry consensus

and initiation, Representative Organisations are self-evident. In nearly all cases they are the widely acknowledged peak organisation of a group of producers or processors. Where an industry has a high degree of processing activity associated with it, there tends to be a multiple source of support for the SMAs and RDCs. As such, different peak organisations representing the interests of the various segments of the industry may be identified as Representative Organisations, and hence it is not unusual for SMAs and RDCs to have several bodies to account to in addition to Parliament. A list of each SMA's and RDC's Representative Organisations is provided in Appendix 3.

To date, the government has not had a firm policy on what constitutes a Representative Organisation beyond it having to be "a suitably representative industry organisation" (Kerin 1986: 5). Such organisations are readily identifiable in those industries where there are peak industry bodies, although it is not always known to what extent these peak bodies actually represent their industries in terms of membership.¹ Given the role of many of these peak bodies in determining the level of compulsory levies which should be imposed on their industries, it can be implied that Representative Organisations represent the financial stakeholders in the authorities - that is, they become the legitimate voice of those who fund the authorities in much the way Parliament becomes the legitimate voice of the tax-payer. Moreover, their role is akin to that of the financial intermediary, or any other organisation which concentrates the funds of diffuse stakeholders into a more powerful ownership profile.²

With the proclamation of the *RIR* and *PIERD Acts*, the notion of Representative Organisations as the representatives of the financial stakeholders became uncertain, if not irrelevant. Under the *RIR Act*, the Australian Special Rural Research Council (ASRRC), although predominantly funded by government, remained subject to the same dual accountability provisions of that Act, with the NFF declared as its Representative Organisation. On one level, this can be seen as an attempt by government to maintain consistency in the application of the *RIR Act*. On another level, it is an indication that the government embraces dual accountability not merely for the sake of pacifying industry groups as representatives of levy payers, but for other advantages that it may offer in the administration of primary industry statutory authorities.

The shared interest of ASRRC and NFF in broad based farming issues is apparent, but to confer Representative Organisation status on the NFF infers that it is a legitimate voice for those who hold a stake, other than financial, in the outcomes of ASSRC's expenditure of government funds. In recognising NFF as a legitimate voice, the government is recognising the need to have those affected by government policy involved in the implementation of such policy. It is a recognition that the concept of the stakeholder transcends financial ownership in policy instruments to embrace holding a stake in the outcomes of those instruments.

This recognition is made clearer under the *PIERD Act*, where in addition to ASSRC's successor (RIRDC), the Land and Water Resources RDC (LWRRDC) and the Energy RDC (ERDC) were established as predominantly government funded RDCs. In the case of the ERDC, its charter covers a number of distinct industries (general energy, solar energy, petroleum, gas and electricity), each of which has its own widely acknowledged peak interest group. So that all industries holding a stake in the outcomes of the ERDC's activities would be recognised as legitimate stakeholders, five different peak interest groups were declared ERDC Representative Organisations.

Similar action was more problematic in the case of the LWRRDC. Its activities in sustainable resource use and conservation research are generic to all primary industries as well as to water and vegetation interests not necessarily related to primary industry production. At the time of the LWRRDC's mooted establishment, many rural, forestry, conservation and water utility groups lobbied the government to be declared Representative Organisations. This had never occurred with the production based SMAs and RDCs. In the end, five organisations were selected: the NFF representing rural and farming interests, the Australian Conservation Foundation representing conservation interests, the National Association of Forest Industries representing forestry interests, the Standing Committee on Soil Conservation representing government groups involved in soil issues, and the Standing Committee of the Australian Water Resources Council representing government groups involved in water regulation and supply.

The declaration of these groups as Representative Organisations is problematic in both practice and theory. First, some of the groups hold clearly diverging, even opposite, views on several issues. While this also occurs between producer and processor Representative Organisations of some RDCs and SMAs, views regarding sustainable management and conservation tend to be more deeply philosophical and difficult to compromise on. Second, the two Standing Committees are government bodies and are themselves accountable to the Minister for Primary Industries and Energy. They are not a concentration of stakeholders, but rather a collection of institutions whose activities are complementary to the LWRRDC. In many cases, however, the water authorities that make up the Standing Committee of the Australian Water Resources Council are clients of the LWRRDC in that they are the end users of the LWRRDC's research results, just as levy paying producers are the end users of production oriented RDC's research results. This presents a dilemma. There exists no other concentration of stakeholders in the LWRRDC's water interests, approximately half of its responsibility, except in government institutions. In the final analysis, the choice of a government institution as a Representative Organisation is a compromise, and the arrangement is more like a variation of traditional accountability with the imposition of additional accountability adjuncts (see MAB/MIAC discussion in Chapter 2). This has implications for the application of dual accountability to other areas of government; specifically, unless a legitimate stakeholder voice exists other than in

a government institution, broader social accountability will seem hollow and alternative forms of mutual accountability would be more appropriate.

The role of Representative Organisations in the dual accountability arrangements through selection committee representation, consultative processes, strategic planning and annual reporting is described in corresponding sections later in this chapter.

The Corporate Board

Davis (1990: 28) describes the modern SMA and RDC board as corporate "in the sense that the first and foremost commitment of directors is to collectively apply their expertise to the achievement of the organisation's corporate objectives."

This contrasts somewhat with the view of Demb and Neubauer (1992: 39):

The board is a fulcrum where a comprehensive view of corporate activity comes together with a responsibility for understanding social, economic and stakeholder demands for performance accountability. The board's role, in other words, is judgment, making choices. In exercising this responsibility, the greatest value-added comes from constantly challenging management to see both elements of the bigger picture. As an intervening body, boards must add value to the corporation and to societies.

Demb and Neubauer argue that corporate boards are no longer the primary mechanism for an organisation's governance but are designed to play "an intervening role between the enterprise and society and to help resolve competing claims made on the corporation...boards are one among a set of elements used by societies to make corporations responsive and accountable" (Demb and Neubauer 1992: 35). In the case of SMA and RDC boards, the primary focus varies according to the size of the organisation and the perception board directors have of their own duties and collective responsibility.

In reforming SMAs and RDCs and providing them with corporate boards, Kerin was more sympathetic to the Davis view and primarily concerned with the issue of good governance:

The policy which has been adopted as a means of ensuring the SMAs effectively perform their marketing functions, is to establish their governing Boards on a corporate rather than a representational basis. Given such a structure, it is important that the first and foremost commitment of Board members is to apply their expertise collectively to the achievement of their

authority's corporate objectives, rather than representing particular interest groups and being answerable to those groups. (Newton 1990: 126)

This view of SMA and RDC boards is close to their operational reality, and in many cases, particularly among the smaller RDCs, the role of board directors is hardly distinguishable from the role of management. Wettenhall (1986: 16) observes that there is no distinction between the board of directors and a management board in most single Australian public enterprises. Certainly it is not uncommon for RDC directors to undertake program management duties, and sometimes general administrative tasks, in the absence of sufficient staff resources.

Demb and Neubauer's emphasis on accountability is not irrelevant to the SMAs and RDCs. The Attorney-General's Department (1992: 7) claims that "it is the principal duty of every board director to act consistently with the legislation which establishes and regulates [their] corporation. Accordingly, a director of such a corporation should ensure that action s/he or the board takes furthers the purposes for which the corporation was created." Because accountability arrangements are an integral part of SMA and RDC legislation, boards must consider meeting accountability obligations as a primary duty. Indeed, the enabling Acts of all SMAs and RDCs have incorporated into their objects the duty to improve accountability for the expenditure of industry and Commonwealth funds.

Among the most fundamental initiatives implemented in the 1980s reforms to ensure the good governance of SMAs and RDCs were the changes to board membership and selection arrangements. Kerin (1986: 15) argued that "producers themselves do not necessarily have the right expertise to direct the marketing [and research] of their produce" and that "boards must be comprised of people who collectively possess the necessary expertise". Putting these views into effect, SMA and RDC legislation has subsequently been drafted to ensure that board membership covers experience across a range of expertise including production, marketing, research, finance, business management, trade, conservation and processing. A list of board expertise criteria outlined in the various research administration acts, contrasted with actual RDC director qualifications, appears in Appendix 4.

Without exception, SMA and RDC boards have shrugged off their former producer domination. However, there is a divergence of opinion as to how much production expertise needs to be retained on boards to enable them to operate effectively. The Committee of Review of Commonwealth SMAs (1990: 29) recommended that no less than two members with production expertise are required to bring to a board an adequate understanding of the industry, while the Gleeson and Lascelles review of RDCs in 1992 recommended that no stipulation be placed on the number of producer members on the board and that amendments to the PIERD Act to provide that two members with production expertise be appointed to the Wool RDC be repealed.³

A strong argument against excessive producer membership on the boards, apart from the need for a breadth of experience, is that it increases the likelihood of conflicts of interest arising. On one level, corporations are already accountable to industry Representative Organisations, and often those producers attracted to membership on corporate boards are those involved in a variety of industry matters and hold positions on the Representative Organisations. This leads to the potential to account to oneself. For this reason, members of the executives of Representative Organisations are precluded from appointment to their associated SMA or RDC. On another level, Harman (1992: 89) argues that "public corruption occurs where the public interest is prejudiced by the intrusion of private interests." Conroy (1981: 73-91) demonstrated that producer domination on the Queensland Onion and Potato Boards led to self-serving governance, and eventually the downfall of the two organisations. While there have been no allegations of corruption in Commonwealth SMAs or RDCs, the need to maintain outward looking perspectives in the modern marketplace requires minimising the risk of inward thinking about immediate on-farm income gains.

Among the effects of the 1980s SMA and RDC reforms was the reduction in the size of boards. In 1985, for example, the size of SMA boards ranged between eight and fifteen members, while presently it stands at seven to eleven members. (Committee of Review of SMAs 1990: 29). Most RDC boards have nine members except the meat RDC which has eleven members. Producer membership on SMA boards currently ranges between one (Australian Pork Corporation) and five (Australian Wheat Board and Australian Wool Corporation) while on RDC boards it ranges between none (Land and Water Resources RDC) and three (Horticultural and Cotton RDCs).

The crux to ensuring that the full potential of the corporate board concept is realised rests largely in the process of the selection and appointment of board directors. Unlike companies legislation, which does not distinguish different positions held on a board or outline their selection arrangements (Ernst and Young 1991: 10), SMA and RDC legislation provides clear guide-lines on the composition of boards, the various types of positions and their selection and appointment procedures.

Chairpersons

All SMA and RDC boards are required to have a chairperson who is appointed for a part time term of three years.⁴ The chairpersons' duties are not spelled out in legislation, but guide-lines issued by the Department of Primary Industries and Energy (the department) (1992: 10) state:

The Chairperson has a particular role in ensuring that the activities of an authority are consistent with the corporate plan approved by the Minister and is consistent with other Government policies.

The Chairperson is usually the focal point of accountability, and boards of SMAs and RDCs invariably report to the minister and their Representative Organisations through this position. Indeed, it is the chairperson who is obligated by legislation to give account each year to Representative Organisations or an annual general meeting of levy payers on the operation and activities of their corporation. Chairpersons are frequently consulted by selection committees on the appropriate balance of board expertise required to effectively run their authorities, and sometimes on the performance of the incumbent directors.

It is the responsibility of the minister to select and appoint board chairpersons. At present, officers of the department provide him with three alternatives whom they consider suitable for appointment.⁵ The department's choice is inevitably appointed. This process is usually undertaken without consultation with industry, although consideration is given to the nature of industry. In some cases, the choice of chairperson is based on a desire to countervail excessive industry influence on the operation of the authority, whether that influence is exerted externally or from within.

Although chairpersons are appointed for three years, there has been a tendency to automatically re-appoint them for second and subsequent terms regardless of their performance. In a case where an industry complained about the performance of one particular research council chairperson in 1988, the department recommended that the chairperson be appointed to a different board, which had a chairperson vacancy, rather than not be re-appointed at all.

Government Directors

The appointment of departmental officials as government directors on primary industry boards was originally designed to overcome tax-payer suspicion of the use of their funds by autonomous and producer dominated statutory authorities (see Chapter 3). The Committee of Review of SMAs (1990: 31) states the present position:

The rationale for this arrangement is that, as statutory organisations, the SMAs need to be cognisant of government policy and public sector administrative practices and their boards require professional advice on those matters in their decision making. The government member is expected to provide such advice, particularly relating to the industry concerned, and also to advise the board on its enabling legislation.

This position is clearly inconsistent with the rationale behind corporate, non-representative boards in that it singles out the government directors' expertise from the range of expertise

required to effectively manage the corporations' affairs. It is also inconsistent with the concept of statutory enterprise:

Government participation at [the] executive level is seen as something to be avoided, being inconsistent with the separate identity of a corporation and its undivided responsibility to government and/or parliament. (Wettenhall 1986: 16)

There is a perception among some directors of SMA and RDC boards that government directors act as representatives of the government (Committee of Review of SMAs 1990: 32). This perception is often reinforced where it becomes knowledge that the government member distributes board papers to others in the department for the purpose of obtaining briefing. Gleeson and Lascelles (1992: 24) suggest that the presence of a government director "blurs the otherwise clear line of accountability of the corporation to the minister which should be effected through the chairperson via submission of planning and reporting documentation and, if necessary, through direct representation to the minister by the chairperson."

As previously discussed in relation to members of the executive of Representative Organisations, there would appear to be a conflict of interest for most government directors whose normal duties lie within the associated policy area of the department. In such cases, directors are usually involved in the accountability obligations of SMAs or RDCs from the department's perspective, and again a sense of accounting to oneself arises. Moreover, where a government director serving on one of the predominantly government funded corporations is in a position to influence its budget, as an adviser to the minister, the conflict of interest is exacerbated. In such cases, the director is often in possession of knowledge which cannot be divulged to the board. This has led, in the past, to some considerable tension around board tables.

A number of options have been considered regarding the future of government director positions on SMA and RDC boards. The Committee of Review of SMAs (1990: 32) recommended that there be no specially designated position of government director, but that a person with government expertise be appointed through the normal selection process. They also recommended that the department nominate a choice of candidates to the statutory selection committee for their consideration. The Gleeson and Lascelles review of RDCs, recommended a similar approach but specified that all nominations should come from an open and competitive selection process (Gleeson and Lascelles 1992: 25). In the meantime, most government directors are invariably selected and appointed from the associated policy areas.

Other Directors

A unique feature of SMA and RDC legislation is the provision in each Act to establish a separate statutory authority for the purpose of selecting board directors other than the chairpersons, chief executive officers and government members. These selection committees will be discussed later in this chapter.

Unlike the position of board members prior to the primary industry reforms of the 1980s, no director is appointed to represent the interests of any group or region. This emphasis is not merely placed on producers, but other directors who may otherwise be seen to represent the interests of scientists, universities, consumers, state departments or bankers amongst others. The Committee of Review of SMAs (1990: 28-29) noted from its consultations that among industry groups, there was "strong acceptance that the interests of producers are best served by corporate boards with membership based on relevant professional expertise" and that "the question of producer control of boards through representation does not appear to be an issue now."

Support for RDC board membership arrangements, however, is not universal. Criticism is commonly made by the scientific community in ways which disguise an underlying desire for board representation:

The problem of conflict of interests has occupied selection committees and drafters of legislation to an inordinate degree yet they have still not adequately addressed the problem. The possibility of conflict of interest has been raised as an important reason why research workers should not be on research corporations. (University of WA 1992: 3)⁶

The principal duty of any director of an SMA or RDC is to "act consistently with the legislation which establishes and regulates the corporation" (DPIE 1992: 10), while "obliged to act with due care in performing his or her functions" (Attorney-Generals' Department: 6). This obligation is a common law form of accountability, for all directors are personally liable for a loss arising from their negligence.

Chief Executives

In the context of corporate governance, the question arises: Who has the ultimate responsibility for the corporation? Who is genuinely responsible for a company? And who should have control - management or the board? Legally the answer is clear: in the final analysis the board has the responsibility for the company and is, therefore, the ultimate fountain of power. (Demb and Neubauer 1992: 70)

All SMAs and RDCs have a chief executive officer, be s/he an executive director or managing director. As the only director of the board who is full-time, and who dominates all areas of management, the chief executive can greatly influence how the board as a whole operates and how it projects its corporate image. While the formal accountability processes are carried out personally by chairpersons, particular demands are made of the chief executives to consult and liaise with representatives of the minister, department and Representative Organisations, as well as a host of other organisations, on a regular and more routine basis. This role of consultation and liaison is an important element of not only the dual accountability process, but of a wider mutual accountability process to clients and agents of the corporations who are not necessarily the principle stakeholders. The chief executive, therefore, acts as an important means of accountability.

Unlike other board directors, the chief executive is the only one not subjected to external processes of selection and appointment. This is the board's responsibility and ensures management accountability is directed towards the board itself, thus eliminating the conflicts between corporate and management accountability which may arise where the chief executive is selected by the minister (as in the recent case of the Australian War Memorial). It is also the responsibility of the board to recommend to the minister the terms and conditions of the chief executive's employment. In theory this was intended to be one of the areas of SMA and RDC deregulatory reform; removing the involvement of the Remuneration Tribunal in determining the chief executive's remuneration. In reality, however, the Minister for Primary Industries was unable to obtain Cabinet agreement to deregulate this form of control altogether, and as a compromise has an unlegislated agreement to consult with the Minister for Industrial Relations through the Remuneration Tribunal when approving the board's recommendations. Moreover, bureaucrats in the department advise the minister whether the packages are appropriate. As a result, in the case of the RDCs at least, the levels of remuneration are significantly below those to be found in the private sector.

Statutory Selection Committees

Until the primary industry reforms of the 1980s, members of SMA boards and research committees were appointed at the nomination of producer groups. This process was subject to a number of concerns. First, as discussed previously, there was concern about the need to diversify the expertise of board membership. Second, there was concern about industry patronage⁷ - the domination of producer representation was limiting enough, but the nomination of producers on the grounds of faithful service and not for the skills which they might possess other than in farming was hardly tolerable. Third, there was concern about conflict between the corporate responsibilities of board and committee members and their responsibility to the bodies being represented (Committee of Review of SMAs 1990: 28).

With the introduction of corporate boards, there was a need to devise a way to effectively find and select a diverse group of people with the appropriate expertise to contribute to their governance. Among the statutory enterprise authorities of Europe, there were few examples of board selection processes which offered an alternative to direct nominations from interest groups and government bodies.⁸ Barker (1982: 23-24) and Davis (1982: 179-180), however, had recommended in Britain that an independent system, possibly organised through a public service commission or Parliamentary select committee, should be adopted to select government nominees on merit for appointment to nationalised industry boards. This was primarily suggested as a means of avoiding ministerial patronage and did not contemplate operation beyond the selection of government representatives.

The primary industry reformers were left to their own devices, and their solution was unique; each SMA was to have its own independent selection committee established under a distinct part of the SMA's legislation. These statutory authorities were intended to "provide an objective means of selecting persons on the basis of merit according to pre-determined selection criteria set out in enabling legislation" (Kerin 1986: 20). They were to comprise an independent chairperson, usually a high profile private sector businessman selected by the minister, and other members nominated by the Representative Organisations. There would be no government representation. Kerin argued that the rationale for such composition of the selection committees was that:

those who finance an SMA should be represented on the committees which in turn determines who will be recommended to the Minister for appointment to the SMA. To ensure this, industry representatives to Selection Committees will be nominated by the nationally recognised industry body/bodies. (Kerin 1986: 20)

In the case of the research councils established under the *RIR Act*, and which were half financed by government, a single selection committee was established comprising four permanent members; a chairperson and one person with scientific expertise selected and appointed by the minister, and a nominee from each of the NFF and the Standing Committee of Agriculture. In addition, three industry representatives nominated by the relevant Representative Organisations were appointed to the committee when a selection process was to be conducted for that industry's research council. This arrangement drew considerable criticism from some industries, particularly the wool and cotton industries, who argued that industry members should have made up the majority of the selection committees (NFF representation did not seem to count as industry representation). In the case of the cotton industry, they made it clear that majority representation on the selection committee was a vehicle for selecting a majority of producers on the Cotton Research Council.⁹

With the creation of RDCs under the *PIERD Act*, the government opted to implement a number of variations of the statutory selection committee arrangement. For the majority of industry RDCs, the SMA selection committee model was adopted. For the research and development councils, a variation of the previous model was adopted, although now there would be a core group of two - a chairperson and member with scientific expertise - and an industry nominated majority of three. Finally, for the RDCs funded predominantly by the Commonwealth, the minister was given the option of selecting, in addition to the chairperson, up to all six other committee members, with the Representative Organisations responsible for nominating any remaining positions.

Under guidelines provided in the enabling acts, selection committees undertake an open selection process to choose persons to nominate to the minister for appointment. Selection committees usually rely on the department for secretariat support, and occasionally engage search consultants to help identify high calibre business people. The selection costs, however, are borne by the relevant SMA or RDC. It is not uncommon for chairpersons of the selection committees to consult with the SMA or RDC chairpersons about the appropriate mix of expertise required by the authority, but to consult excessively with the minister or Representative Organisations might be seen to compromise their independence. Unlike the SMAs and RDCs, the selection committees are, through the provision of an annual report, formally accountable only to the minister and Parliament. Accountability to industry is achieved through industry representation.

To date these arrangements appear to have been successful. As previously discussed, on no board is there a majority of producers. This has no doubt been influenced by each selection committee's requirement to ensure that directors on a board collectively possess an appropriate balance of expertise in as many as possible of the fields referred to in the legislation. However, the arrangements have not entirely been without criticism. Some authorities claim that the cost of the selection process is too high, up to around ten per cent of the overall budgets of the small SMAs and R&D councils (Committee of Review of SMAs 1990: 31). Since Simon Crean has replaced Kerin as the Minister for Primary Industries and Energy, he has been concerned that the selection committees do not provide him with options for his choice of appointment. Such a position would be contrary to the principle of establishing an independent selection committee, and show disregard for one of the facets of dual accountability, namely maintaining a balance of control between government and industry. In any case, the minister may reject any nomination made by the selection committee and request that another be made. While Crean once came close to doing this, such action has not occurred as yet.

Strategic Accountability

In Chapter 2, adoption by some European statutory enterprise authorities of the use of corporate plans as a means of contract with, and accountability to, government was discussed. A 1978 White Paper in Britain had been prepared in response to a National Economic Development Office inquiry into the nationalised industries. Among its major propositions were:

1. There should be institutional reforms to enable the major stockholders' interests to be represented in the development of strategy;
2. Corporate planning and the examination of strategic options should have a central place in the relationship between nationalized industries and their sponsor departments. (Beesley and Evans 1981: 119)

These developments were to form precedents for what Kerin described as the strategic relationship between SMAs and the minister. Such a relationship was intended to be "in keeping with a principal rationale for establishing statutory authorities, which is to remove such bodies from Ministerial oversight, and with the policy of providing SMAs with commercial autonomy" (Kerin 1986: 22). Flowing from the 1980s reforms, SMAs and RDCs are required by legislation to "adopt modern corporate planning techniques in order to chart the direction and performance of their organisations (Newton 1990: 127). As part of this, they must prepare five¹⁰ year strategic plans and annual operating plans for submission to the minister for his approval. They must also report annually against the objectives set out in these plans.

From an accountability perspective, this process enables the minister to ensure that the long-term objectives of each authority, outlined in the strategic plans, are in keeping with its legislative charter. Approval of the operational plans ensures that each authority's short-term activities are consistent with, and directed towards meeting, the objectives of the strategic plans. In theory, the process should also enable the minister to assess the performance of the authorities by comparing outcomes reported in the annual reports with the objectives and activities proposed in the plans. The combination of this reporting and approval process, together with a high degree of autonomy to carry out activities directed towards achieving agreed goals, is the basis of the strategic accountability concept.

From a dual accountability perspective, SMAs and RDCs must consult with, and take into account the views of, each of their Representative Organisations before preparing their strategic plans. Indeed, the only purpose for which SMAs or RDCs can make payments to their representative organisations is to reimburse costs associated with any consultation.¹¹ The consultation process may differ between the authorities depending on the nature of their relationship with their Representative Organisations. This in turn may be influenced by the nature of the industry, the number of Representative Organisations an authority has and the extent to which the industry funds the authority. For example, the Australian Wheat Board,

which is wholly funded by industry and has only one Representative Organisation, consults much more closely with its representative organisation when preparing its strategic plan than does the LWRRDC, which is wholly funded by government and has five Representative Organisations.

The consultation process is intended to ensure that the policies of each SMA and RDC are directed towards the needs of their industries. Where an authority has a number of Representative Organisations, it may be required to compromise more in the planning process. Compromise may also be required where an authority, even with one Representative Organisation, deals with an industry made up of many segments, such as Grains RDC which represents the interests of wheat, barley, oilseed and grain legume producers.

Consultation in the development of strategic plans usually goes beyond discussions and negotiations with representative organisations. Most of the RDCs, for example, conduct wide-scale, national consultation workshops and visits in an attempt to derive research and development priorities which form the basis of their strategic plan objectives and strategies. These consultations usually involve farmers, researchers, state department officials and community and other interest groups at local, regional, state and national levels. The extent to which this occurs, however, is usually determined by the funds available. For example, the Meat Research Corporation, which is presently the largest RDC with a budget of around \$50 million, spent more than \$1 million on the consultation process leading to the development of its 1991-96 strategic plan. Through the wider consultation process and the public distribution of the strategic plans, mutual as well as dual accountability functions are performed.

In the case of the RDC strategic plans, the published documents also act as important guides to researchers as to where industry priorities lie and where their efforts should be directed should they wish to compete for grants.

There have been a number of criticisms made of the strategic planning processes of the SMAs and RDCs. To some, the very concept of a plan is contrary to the Australian spirit of enterprise:

Five-year plans represent bureaucracy at its worst. In Australia, we should feel justifiably proud of agricultural developments that permit the production of billions of dollars worth of meat, wool and grains on an annual basis in one of the most hostile environments on earth. Instead of acknowledging the 200 years of learning that have contributed to the success of the system, we are tending to build a rigid system that reinforces the status quo, provides limited avenues for genuine imagination in the lateral way that is required in agriculture, and currently even goes so far as to address sustainability as an achievable goal in a 3-5 year project cycle. (Fortune 1992: 20)

Of more relevance to the issue of accountability, however, is the criticism that the majority of SMAs and RDCs do not provide, in addition to objectives, goals and strategies, adequate performance indicators against which to assess their performance. This is in marked contrast to government business enterprises where government can focus on the overall financial performance of each enterprise against previously agreed targets (MAB/MIAC 1991: 4). There is some scepticism about whether the GBE system can be transferred to SMAs and RDCs:

Without the influence of competition, there are few objective measures of performance and so statutory authorities themselves cannot objectively evaluate their own efficiency. (Pastoralists and Graziers Assoc. of WA 1991: 127)

The Committee of Review of SMAs (1990: 24-25) nevertheless recommended that SMAs should develop performance indicators in consultation with Representative Organisations, include them in strategic plans and evaluate their performance against them in their annual reports.

Industry Accountability

In addition to the selection committee and strategic planning arrangements, SMA and RDC accountability to industry is accomplished through formal reporting mechanisms. This is carried out in one of two ways.

Reporting to Representative Organisations

When an SMA or RDC has completed its annual report for tabling in Parliament, it is required to present a copy to each of its representative organisations. In addition, the chairperson is obliged to provide an oral report at the representative organisations' annual conference or to a meeting of their executive committee. This is to enable the annual report to be considered and for the chairperson to be questioned in relation to activities undertaken.

Only in the case of the Grains RDC is an authority set minimum requirements for this reporting arrangement. When the establishment of a Grains RDC from the amalgamation of the Wheat, Barley, Oilseeds and Grains Legumes Research Councils and ten Wheat and Barley State Research Committees had first been proposed, the Grains Council of Australia demanded that reporting arrangements of the Grains RDC reflect the source of levy funds. As a consequence, the *PIERD Act* was drafted so as to oblige the Grains RDC to report against expenditure on activities on a commodity by commodity and state by state basis.

The process of reporting to each representative organisation is undertaken to different degrees of formality and effectiveness. SMAs and RDCs reporting to industry based representative organisations will often have specially convened meetings for this purpose, involving a rigorous examination of the authorities' activities. In many cases, these meetings are combined with joint consideration of the appropriate levy levels to be set for the following year. Where an authority is required to report to several representative organisations, however, the process may be less formal. In the case of the LWRRDC, for example, coordinating meetings between its Perth based chairperson and its five east coast based representative organisations is difficult, and as a result the meetings are often fleeting visits to the office of the representative organisation.

Annual General Meetings

Without doubt, the most ground-breaking of the 1980s reforms was the concept of an annual general meeting (AGM) of industry members which was introduced first to the Australian Meat and Livestock Corporation (AMLC) in 1984. This concept is similar to that of the chairperson fronting an annual meeting of the executive of representative organisations, only the meeting is open to all levy paying members of the industry concerned. To date, provisions for an AGM have only been applied to three SMAs (the AMLC, the Australian Wool Corporation and the Australian Wine and Brandy Corporation) and three RDCs (the Meat Research Corporation and the Wool and Horticultural RDCs). The *PIERD Act* has AGM provisions built into it which can be applied to any levy funded RDC by simple means of passing a regulation at the request of industry.

The purpose of the AGM is not to replace the normal consultations between SMAs and RDCs and their representative organisations, but to provide a wider industry forum to: consider the annual report of an authority; receive an address by the chairperson on the performance of an authority; question the chairperson and board on any aspect of an authority's activities; and debate and vote on specific motions, including determination of the levy and confidence in the chairperson or board as a whole. (Kerin 1986: 5)

It is possible that these AGMs are the most powerful instruments of statutory authority accountability to be held directly in the hands of the general community anywhere, certainly in Australia. They are based on the premise that individuals know their own interests best and that they deserve a mechanism which enables them to express those interests (Committee of Review of SMAs 1990: 21). In many respects it reflects the Parliamentary side of dual accountability, the democratic right of individuals to vote for their representatives and for the platform they intend to carry out. More importantly, however, the AGM enables the individual to record a vote directly, and not through a representative, against an issue, much in the way of a referendum.

Considering the innovativeness of the application of AGMs to government operations, there has been very little interest shown by other areas of government, or even by academia, on their impact and effectiveness. The reaction among those in primary industries, however, has been mixed, and it is significant that of the nine RDCs established under the *PIERD Act* which are eligible to have the Act's AGM provisions invoked, only the Wool RDC presently has an AGM. While there is strong support for the AGM process within the wine and brandy industry, there is considerable debate about it elsewhere. Within the meat and wool industries, there has been concern about the cost of the running AGMs, the access of producers to participate and the limited scope to vary levies other than at the time of the AGM (Committee of Review of SMAs 1990: 21). Some producers are also concerned that the one-man-one-vote process is not fair in that "producers of 100 prime lambs or 5 bales of wool have as much say in the control of industry as producers of 1,000 or 10,000 prime lambs or bales of wool" (Industry Commission 1991: 128).¹² Perhaps the most damning criticism comes from the University of Western Australia in respect of the Meat Research Corporation's AGM:

The Annual General Meetings take the form of a well orchestrated stage show and leave little opportunity for genuine discussion of the policies of the MRC. In any case the Corporation is not bound by decisions of the Annual General Meeting unless these are achieved through a complex system of procedures involving notices of motion that pre-date the issues being raised in the Agenda. (University of WA 1992: 9)

On the other hand, in a submission to the Industry Commission inquiry into SMAs, Hogbin and Wills saw the potential of AGMs to have expanded roles, including the provision of an opportunity of producers to elect board members (Industry Commission 1991: 128). This is perhaps somewhat unnecessary given the provision for producers to vote on motions of no-confidence at AGMs. However, scope does exist for extending the role of AGMs to cover other aspects of the strategic accountability processes, in particular the endorsement of strategic plans.

Public Accountability

The instruments of public accountability relevant to SMAs and RDCs are those either directly under the responsibility of the minister or those which have a closer connection to the broader parliamentary process, elsewhere referred to as adjuncts of accountability.

Ministerial Relationship

The strategic accountability relationship outlined previously is principally designed to enable the SMAs and RDCs to carry out their functions, using their wide commercial powers, to achieve

broadly agreed ends without the need for day-to-day interference in the means of achieving those ends. To this extent the minister has responsibility for approving strategic and operational plans, and seeking amendments where he considers proposals to be beyond the charter of the authorities or focused in a way which does not allow for adequate parliamentary or industry scrutiny. For example, the minister has on occasion sought amendments to strategic plans of RDCs where too great a proportion of the budget, after taking into account the need for reserves, has been directed towards unspecified discretionary expenditure. In a similar way, the minister has responsibility for the appointment of board directors, reserving the right to reject selection committee nominations if he considers there to be a deficiency which might limit the board's effectiveness, such as an inadequate balance of expertise or conflict of interest.

There are many specific ministerial responsibilities under individual Acts, particularly covering certain commercial operations of the SMAs. These include consent for SMAs to enter into agreements with State or Territory governments, approval, or rejection, of recommended levy levels, approval to undertake certain export activities and determination of the level of government underwriting of Australian Wheat Board borrowings for its pooling operations. Other ministers also exercise control over the authorities, particularly the Minister for Finance in respect of borrowing, investment and annual reporting guidelines, and the Treasurer in respect of loan guarantees.

Apart from strategic accountability provisions, and prescribing guidelines for making payments to representative organisations for the purpose of consultation, there are few other generic responsibilities accorded to the minister by the various Acts. The exception, however, is the minister's ultimate power to give general directions to the SMAs and RDCs at his discretion. Such reserve powers are not uncommon in statutory enterprise authority legislation, although its use is. Johnson (1982: 212) observes that while the use of reserve powers has been "exceedingly rare" in Britain, it has been offset by ministers' use of informal links, particularly those formed between a nationalised industry and its supporting department. In the case of the SMAs and RDCs, the use of this power has rarely been exercised, and the establishment of links between the authorities and department have been minimal. Indeed, there is a certain degree of mistrust between the organisations.

The application of ministerial control is often influenced by his departmental advisers. Until three years ago, the main responsibility for advising the minister on research and marketing policy lay in a central policy cell, enabling the minister's responsibilities to be carried out with some consistency across the different authorities. More recently, responsibility for advising the minister on his relationships with the SMAs and RDCs has been devolved to the various corresponding industry branches of the department. As a consequence, the relationship between the minister and the authorities tends to be based on the relationship between the industry branches and the authorities. This tends to be variable, depending on the experience of

senior officers in the industry branches in advising on public enterprise issues. For example, there is concern from the Energy and Land and Water Resources RDCs that there is a greater level of government interference in their operations because they are new, have inherited programs previously run by the department, and relate to industry branches which have had no prior experience with the portfolio's SMA and RDC arrangements.

Parliamentary Relationship

The enabling legislation of each SMA and RDC provides for the principal form of reporting to Parliament to be through an annual report. This requirement also extends to each of the selection committees. While the present guidelines for statutory authority annual reporting are outdated and will remain so until the government responds to a Joint Committee of Public Accounts inquiry into the issue (Report 309, 1991), the requirements of reporting set out in enabling legislation are contemporary, reinforcing the strategic link between the planning and reporting processes. This link, now a part of the *Guidelines for Departmental Annual Reports*, had first been envisaged by the RCAGA:

The annual report should be a vehicle by which [organisations] furnish an account of their activity and performance in terms of ministerially approved goals and objectives. (RCAGA 1976: 75)

Previous discussion has focussed on the requirement for SMA and RDC chairpersons to follow up their annual reports with presentations to representative organisations and AGM. This is a powerful use of the annual report, enabling its scrutiny to go far beyond anything Parliament could conceivably accomplish on an organisation by organisation basis. The deficiency of the Parliamentary system to make adequate use of annual reports as a means of public accountability was highlighted by the Senate Standing Committee on Finance and Public Administration (SSCFPA):

The Committee believed that Parliament (despite being the primary audience for ARs) was not in a position systematically to monitor their quality. Limitations in the parliamentary cycle necessarily restricted detailed monitoring and debate of ARs. (Milazzo 1992:39).

This deficiency remains, despite SSCFPA belief that "annual reports have become the cornerstone of executive accountability to Parliament" (SSCFPA 1989: 3). In any case, at least part of every SMA and RDC annual report is scrutinised through certification of the financial statements by the Auditor-General - by a private auditor in the case of the Australian Wheat Board - prior to the report's submission. After that, it is in the hands of individual

parliamentarians as to whether they question the minister on any aspect of an SMA or RDC's activities.

Audit

Government bodies must be reminded that they have an obligation to the Parliament, which in many instances, is through the Auditor-General because it is the Auditor-General who in so many instances draws to out attention the sorts of problems which have appeared. (Senate Hansard 16/8/91: p3)

The Auditor-General, and certainly many parliamentarians, believe that the Australian National Audit Office (ANOA) is "fundamental to the maintenance of accountability to Parliament and through Parliament to the people (Taylor 1991: 12). This line was not accepted in the reform of SMAs, or for that matter the reform of GBEs. Kerin argued that while audit is central to the accountability of SMAs, it had to take into account their basis of dual accountability:

On the one hand it is appropriate that the Auditor-General be responsible for ensuring that SMAs meet public sector accountability requirements and for reporting to Parliament. On the other hand, since SMAs have been established to perform marketing functions on behalf of certain industries and are financed by those industries, which includes meeting the cost of audit, it is appropriate that industry be provided with a choice of auditors for auditing the commercial operations of SMAs. (Kerin 1986: 10)

In providing SMAs with this option, the government stipulated that the use of a private auditor would be subject to the auditor being a registered company auditor accredited by the Auditor-General, meeting public sector auditing standards determined by the Auditor-General and providing any working papers requested by the Auditor-General to enable the Auditor-General to comment on the results and quality of the audit in his reports to Parliament (Kerin 1986: 10). To date, only the Australian Wheat Board has appointed a private auditor. In Chapter 2 it was argued that if the role of the Auditor-General was to serve the public, its client, then it should be the public which ought to pay for the service. Despite this logic, individual authorities continue to bear this cost.

Private audit provisions were not applied to the RDCs on the basis that they are half, and sometimes wholly, funded by government. However, because the size of most of these organisations prohibits them from employing full-time specialist internal auditors, many engage private auditors from time to time to undertake internal audits of their operations. Moreover, many of the boards have emulated private sector practice and have established board audit committees independent of the management structures of their organisation.

The role of the ANOA in the accountability process goes beyond financial auditing. Included in its mandate is performance auditing, which ANOA defines as:

expert and systematic examination of the management of an organisation, program or function for the purposes of forming an opinion about a) whether an organisation, program or function is being managed in an economical, efficient and effective manner; b) the adequacy of internal audit procedures for promoting and monitoring economy, efficiency and effectiveness; and suggesting ways by which management practices, including procedures for monitoring performance might be improved. (ANOA 1992: 165)

At the commencement of 1993, all the research and development funding activities of the primary industries portfolio, particularly but not exclusively the RDCs, were subjected to a performance audit. This followed only months after the completion of a comprehensive review of RDCs by Gleeson and Lascelles sponsored by the Department of Primary Industries and Energy, and the completion of a JCPA review on public sector research and development. Such activities are more than making up for the lack of Parliamentary review of annual reports.

Administrative Law

SMA and RDCs are subject to most of the instruments of administrative law, including the *Administrative Decisions (Judicial Review) Act (ADJR Act)*, the *Ombudsman Act*, the *Freedom of Information Act*, the *Privacy Act* and the *Archives Act*. Most, including all of the RDCs, have not been prescribed under the *Administrative Appeals Tribunal Act*, while the dairy, meat, wheat and wool SMAs are exempt from providing statements of reasons for decisions in respect of their commercial activities under the *ADJR Act*.

1. In the case of RDCs, the Australian National Audit Office is attempting to determine this as part of an efficiency and effectiveness audit of the RDCs. Their report is due in mid-1993.
2. Further examples of concentrated stockholder representation, such as through super-funds and insurance investments, can be gleaned from Demb, *The Corporate Board*, 1992, p 25.
3. Gleeson and Lascelles also recommended repealing an amendment which provided for the automatic appointment of a representative of the Australian Wool Corporation (an SMA) onto the Wool RDC.

4. The Committee of Review of SMAs (1990: 30) recommended that the chairpersons of the wool, wheat and meat SMAs be made full time.
5. At one time, the department maintained a register of potential appointees to statutory authorities and consultancies.
6. Taken from the University of WA's submission (no author) to the Gleeson and Lascelles review of RDCs. Despite the views of the University of WA, all RDCs have at least one member of the board who are currently employed as researchers in relevant fields, except for the Meat RDC. This corporation, however, has three members with previous scientific experience in the relevant field. That conflict of interest is raised as a reason for not selecting scientists on RDCs is an unsourced and dubious statement. My experience with RDC selection committees is that science is a very critical consideration at the fore of most selection committees' priorities.
7. Ministerial patronage in the selection and appointment of SMA and RDC chairpersons is limited by the requirement to seek Cabinet approval of such appointments.
8. See Parris, Pestieau and Saynor (1987: 48-67) for an account of the procedures adopted throughout Europe.
9. The industry members of the Cotton Research Council Selection Committee indeed stated their preference for a board totally comprising producers.
10. Only three years for some of the SMAs.
11. Ministerial guidelines stress that a representative organisation may receive no more than up to half of its budget through such payments.
12. An analogy with voting tax-payers is hardly warranted.

CHAPTER 6 CONCLUSIONS

Australian primary industries have had a long history of innovation. They have needed to. From the hostile physical environment faced by early pioneering farmers through to the volatile market environment prevalent today, primary industries have been required to develop means by which individual producers can improve their lot and the lot of the nation. They have achieved this in large measure through their own drive; adapting equipment to suit their surrounds, developing co-operatives to increase their market power, creating producer organisations to represent their interests. Even from the time when they came to rely heavily on the help of government, they have maintained their resolve to pilot the course of their own future.

Neither has government been short on innovation in dealing with primary industries. From around the First World War, a succession of governments has successfully encouraged the growth of primary industries, without either having to apply a heavy hand or stripping away the sense of self determination and control of producers. The reform of primary industry institutions in the 1980s led not only to highly innovative research and marketing administration structures, but more significantly to breakthroughs in statutory authority organisation and accountability. Of the White Paper on SMAs, Wettenhall (1986: 88) states:

When it becomes better known, it is likely to gain citation as one of the most advanced studies in the field of public enterprise, statutory authorities and indirect public administration. The thinking it displays is consistent with the most advanced international work in this field.

A major theme to come out of the Ditchley conference on accountability in Britain in 1969 and the wider Carnegie Corporation studies around that time was the desirability for government organisations to adopt forms of social responsiveness and answerability. Mackenzie (1975: 97) coined the phrase "mutual accountability" to describe processes of accountability that were directed outwards towards peer and reference groups and downwards towards clienteles. Mutual accountability, it was argued, encapsulated processes of answerability, fiscal control, peer group judgment, patterns of reference group or reputational authority, clientele relations and participation (Barker 1982: 16), only such processes were no longer seen merely in the context of being administrative means to deliver administrative ends - they also served to open public administration directly to the public and in so doing redirected lines of accountability.

There have been strong forms of mutual accountability in primary industries administration for most of this century, most notably the direct participation of producers on statutory enterprises established for research and marketing administration, and the convention of close industry consultation in the development of policies. Mutual accountability, however, didn't mean better

and more efficient administration of primary industry organisations. Established as statutory authorities, the research and marketing organisations, for example, suffered from an excess, or at least a mis-application, of mutual accountability. Until the mid 1980s, the SMAs and Research Committees were hardly recognised as government bodies, but rather as thinly disguised industry bodies run by industry for the benefit of industry. Producer domination tended to inhibit their effectiveness and direct them less towards the wider social benefits than had been intended by government when lending statutory support.

Primary industry administration highlighted other flaws in the concept of mutual accountability. Participation of interest groups in the decision-making processes of government was admirable, but requiring them to be accountable outwards when they were at the same time the main outward beneficiaries seemed a paradox, a conflict. In fact, interest group participation in decision-making was more of a form of the control side of the accountability coin than the answerability side. This may have been what producers wanted, but it was also the antithesis of the statutory enterprise authority form under which the SMAs operated.

The problems of primary industry administration had become these: SMAs conducted large public enterprises managing millions, sometimes billions, of dollars under a statutory form where public accountability was questionable and excessive control undesirable; industries were funding the organisations, but statutory backing was required to meet wider social imperatives; the organisations required maximum flexibility to operate in a competitive environment but Parliament was wary of providing statutory authorities with too much autonomy; industries had a right to accountability, although representation was inhibiting and produced a conflict of interest. The solution to these problems was the same; provide maximum operating independence under forms of accountability which could be directed to both Parliament and industry but which did not emphasise control. Most of the means to achieve this were known, but not widely adopted. Innovations in European public corporation management and progressive insights from the RCAGA had pointed towards strategic management techniques as appropriate operational and accountability tools. The problem now to be resolved was what place should industry take in a accountability process.

The most unique contribution of primary industry statutory authority administration to the wider field of public administration - strategic accountability is hardly unique, at least in this day and age - arose from determining that the right place for industry in the accountability process was alongside Parliament, not in theory, but in legislated practice. In this way, dual accountability has become distinct from mutual accountability - it is the obligation of an organisation to account to bodies, in addition to Parliament, whose entitlement to be accounted to is legitimised by statute. Dual accountability acknowledges that the fundamental processes of an organisation's accountability should apply in more than one direction; if the basis for the relationship with

government is strategic accountability, then so too should it be in other direction; if the principle of representation is a conflict of interest for one party, so should it be for other parties.

To a large extent, dual accountability decentralises the accountability process, and in so doing fills voids left by removing control mechanisms. Centralised accountability has led to a proliferation of adjuncts of accountability as well as control mechanisms to make up for the lack of Parliamentary resources and time to sufficiently effect accountability itself, but to remove these adjuncts and controls may lead to concerns of diluting accountability. The legitimisation of bodies other than Parliament in the accountability process, however, adds to the resources to monitor and respond to the activities of an organisation and hence replaces direct control as a mechanism of ensuring compliance to expectations. This decentralisation process is particularly suited to public enterprise (Ramanadham 1984: 193-248). It is enhanced further where the form of dual accountability is through strategic accountability, that is, where the legitimised bodies approve broad goals and directions for public enterprise activity and limit their interference in the means of achieving these.

A central key to the historical development of dual accountability has been the funding base of the SMAs and research organisations in the primary industries portfolio. This does not necessarily mean that the application of dual accountability is limited. Even within the primary industry portfolio its application extends across authorities which encompass a number of different accountability relationships. These relationships are based on the nature of the industries concerned, the number of representative organisations authorities have and the extent to which the industries fund the authorities. If one was to categorise the relationships according to each authority's funding source and number of representative organisations, such as in Table 3, one would discern six different manifestations of dual accountability arrangements.

TABLE 3

—

The most recent primary industry reform focussing on dual accountability was the corporatisation of the research funding administration arrangements in the late 1980s. This was a significant move towards demonstrating the applicability of dual accountability to other areas of government. As indicated in Table 3, dual accountability has now been applied to government organisations of a public good nature (eg RIRDC, ERDC and LWRRDC). These organisations, as with the SMAs and other RDCs, emphasise two fundamental conditions required for the application of dual accountability arrangements: first, there must be in place at least one organised body which acts as the legitimate representative of those who hold a stake in either the ownership of an authority or in the outcomes of the authority's activities; second, so that the government may be willing to extend formal dual accountability arrangements to an

industry or community sector, the objectives of appropriate representative bodies must not be in conflict with the objectives of government.

The conferment of Representative Organisation status on an organisation brings with it enormous potential for private interests to have a direct role in the government administration. In the case of the SMAs and industry based RDCs, where producer Representative Organisations have long been familiar with pre- and post-dual accountability arrangements, government administration is hardly distinguishable from industry administration. Where dual accountability has been applied to the public good RDCs, however, Representative Organisations have yet to come to terms with their potential to participate directly in the implementation of government policy. While the hands-off approach displayed by some of the ERDC and LWRRDC Representative Organisations is conducive to statutory enterprise administration, the nature of the dual accountability arrangements still offers considerable room for greater participation without impinging on the authorities' autonomy. Possibly the reason for their reluctance to become more involved in the arrangements stems from the general naivety outside traditional primary industry institutions about the nature, and even the existence, of dual accountability.

To date, while some studies have been undertaken on the operation of SMAs and RDCs, fewer still have focused on their accountability arrangements. This is unfortunate, not least because there exists in these arrangements an innovative alternative to achieve the broader social accountability sought by so many. It remains unproven, however, if dual accountability leads to better administration and better public accountability. The impact of dual accountability in its various manifestations outlined in Table 3 also remains unknown. The resolution of these issues would require a significant research effort, but offers the potential to provide information of critical relevance to future of public administration outside of the primary industries portfolio.

* * * * *

The present Auditor-General argues that any move towards displacing Parliament as the head of the accountability pyramid is wrong, and weakens the accountability process. Dual accountability does not seek to displace Parliament; it merely recognises that parliamentary accountability is insufficient and that Parliament cannot hope to monitor the activities of all public institutions. It also provides a more direct form of accountability, by-passing the Parliament as an accountability broker. At the end of the day, however, it is the balance of centralised and decentralised accountability which strengthens the answerability of individual authorities and enables those organisations to take advantage of public interest in their activity - the public need not be some anonymous, unidentifiable mass, but a collection of interested individual stakeholders who can make a viable contribution to public administration.

Accountability is not an adjunct to administration; indeed an appropriate accountability process can vastly improve administration. To this end, dual accountability, possibly one of the most remarkable but least remarked about Hawke reforms, deserves wider recognition and consideration.

BIBLIOGRAPHY

Aitkin D (1972), The Country Party In New South Wales, ANU Press, Canberra

Attorney-General's Department (1992), "Duties of Directors of Companies and Statutory Authorities" in Department of Primary Industries, Duties and Responsibilities of Directors of SMAs and Portfolio R&D Bodies, DPIE, Canberra

Australia (1936), Debates (Hansard), House of Representatives, Vol 152

Australian National Audit Office (1992), Conduct of Efficiency Audits: A Guide for Auditees, ANOA, Canberra

Axelrod D (1992), Shadow Government: The Hidden World of Public Authorities, John Wiley & Sons, New York

Barker A (1982), Quangos in Britain, MacMillan, London

Beesley M and Evans T (1981), "The British Experience: The Case of British Rail", in Vernon R and Aharoni Y, State-Owned Enterprise in Western Economies, Croom Helm Ltd, Beckenham UK

Bartos S (1990), "Competing Demands for Commonwealth Funding: The Effect on Rural Research and Development" in Bureau of Rural Resources, SCA Workshop on Research Priorities and Resource Allocation for Rural R&D, Proceedings No 7, AGPS, Canberra

Blick W (1992), "Accountability: The MAB/MIAC Perspective", Speech presented at the RIPAA/MAB Seminar on Accountability: Implications for Commonwealth and State Administrators, Sydney, 3 April 1992

Boreham P (1990), "Corporatism" in Jennett C and Stewart RG, Hawke and Australian Public Policy, MacMillan, Melbourne

Boston J, Martin J, Pallot J and Walsh P (1991), Reshaping the State: New Zealand's Bureaucratic Revolution, Oxford University Press, Auckland

Browne WP and Wiggins CW (1978), "Interest Group Strength and Organizational Characteristics: The General Farm Organizations and the 1977 Farm Bill" in Hadwiger DF and Browne WP (1978), The New Politics of Food, Lexington Books, Lexington

- Bureau of Rural Resources (1990), SCA Workshop on Research Priorities and Resource Allocation for Rural R&D, Proceedings No 7, AGPS, Canberra
- (1989), Workshop on the Organisation and Funding of Research for the Rural Industries, Proceedings No.4, AGPS, Canberra
- Caiden G (1990), "Australia's Changing Administrative Ethos: An Exploration" in Kouzmin A and Scott N, Dynamics in Australian Public Management: Selected Essays, MacMillan, Melbourne
- Campbell C and Halligan J (1992), Political Leadership in an Age of Constraint, Allen and Unwin, Sydney
- Campbell KO (1985), "Changing Institutions, Processes and Issues in the Formation of Australian Agricultural Policy" in Australian Journal of Agricultural Economics, 29(3)
- (1973), Agricultural Marketing and Prices, Cheshire, Melbourne
- Cassese S (1981), "Public Control and Corporate Efficiency" in Vernon R and Aharoni Y (1981), State-Owned Enterprise in Western Economies, Croom Helm Ltd, Beckenham UK
- Chislett G D'A (1967), "Primary Producer Organisation" in Williams DB, Agriculture in the Australian Economy, Sydney University Press, Sydney
- Clegg S, Boreham P and Dow G, (1986), Class, Politics and the Economy, Routledge & Kegan Paul, London
- Coates J (1990), "Government-Owned Companies and Subsidiaries: Issues in Accounting, Auditing and Accountability" in Canberra Bulletin of Public Administration, Vol49, No1, March 1990
- Collier J (1911), The Pastoral Age in Australia, Whitcomb & Tombs, London
- Committee of Review of Commonwealth Statutory Marketing Authorities (1990), Review of Primary Industry Statutory Marketing Authorities, AGPS, Canberra
- Commonwealth Scientific and Industrial Research Organisation (1992), Research for the Rural Industries, CSIRO, Canberra

- Connors T (1972), The Australian Wheat Industry: Its Economics and Politics, Gill Publications, Armidale
- Conroy D (1981), Beyond the Farm Gate...An Anatomy of the Failure of the Queensland Potato Marketing Board 1947-1954 and the Queensland Onion Marketing Board 1949-1952, MPA Thesis, University of Queensland
- Considine M (1985), "Labour Government and the Reform of the State" in Journal of Australian Political Economy, No.18, June 1985
- Coombes D (1966), The Member of Parliament and the Administration: The Case of the Select Committee on Nationalised Industries, George Allen and Unwin, London
- Cooper S (1992), Farm Wars: The Battles Confronting Australian Farming, Schwartz & Wilkinson, Melbourne
- Core P (1992), "Accountability in the Public Sector", Speech presented at the IIR Conference on New Directions for Financial Control in the Public Sector, Sydney, 20-21 May 1992
- (1991), "Accountability: The Theory and the Practice", Speech presented at the Royal Institute of Public Administration Seminar on Accountability, Canberra, 28 August 1991
- Costar B and Woodward D (1985), Country to National Australian Rural Politics and Beyond, Allen and Unwin, Sydney
- Crean S (1992), National Drought Policy, Press Release, September 1992
- Crisp LF (1978), Australian National Government, Longman Cheshire, Melbourne
- Crouch C (1983), "Pluralism and the New Corporatism: A Rejoinder" in Political Studies, No 31
- Davies A (1982), "Patronage and Quasi-Government: Some Proposals for Reform", in Barker A, Quangos in Britain, MacMillan, London
- Davis B (1990), "Autonomous Versus Controlled Public Enterprise: Taming Tasmania's Hydro-Electric Juggernaut" in Kouzmin A and Scott N, Dynamics in Australian Public Management: Selected Essays, MacMillan, Melbourne
- Davis G, Wanna J, Warhurst J and Weller P (1988), Public Policy in Australia, Allen and Unwin, Sydney

- Demb A and Friedrich Neubauer F (1992), The Corporate Board: Confronting the Paradoxes, Oxford University Press, Oxford
- Department of Primary Industries (1992), Duties and Responsibilities of Directors of SMAs and Portfolio R&D Bodies, DPIE, Canberra
- (1991), Variations in R&D Corporation Levy Receipts, Unpublished
- Dunleavy P (1981), "Quasi-Governmental Sector: Some Implications for Public Policy-Making in Britain" in Barker A, Quangos in Britain, MacMillan, London
- Dunsdorfs E (1956), The Australian Wheat-Growing Industry: 1788-1948, Melbourne University Press, Melbourne
- Ernst and Young (1991), A Guide for the Company Director: Role, Duties and Liabilities, Ernst and Young, Sydney
- Edwards GW and Freebairn JW (1981), Measuring a Country's Gains From Research: Theory and Application to Rural Research in Australia, AGPS, Canberra
- Emy HV (1974), The Politics of Australian Democracy, MacMillan, Melbourne
- Emy HV and Hughes OE (1991), Australian Politics: Realities in Conflict, MacMillan, Melbourne
- Ewer P, Hampson I, Lloyd C, Rainford J, Rix S and Smith M (1991), Politics and the Accord, Pluto Press, Sydney
- Finer SE (1987), "Thatcherism and British Political History" in Minogue K and Biddis M, Thatcherism: Personality and Politics, MacMillan Press, London
- Flores X (1971), Agricultural Organisations and Economic and Social Development in Rural Areas, International Labour Office, Geneva
- Forrest M (1983), "Reporting and Review of Quangos" in Australian Journal of Public Administration, XLII(1), March 1983
- Fortune J (1992), "Current Research and Research Priorities", in Agricultural Science, Vol 6 No 1, Jan-Feb 1992

- Freeman DL (1986), "Global Implications of the Family Farm" in Economic Impact, No 43
- Friedmann W and Garner JF (1970), Government Enterprise: A Comparative Study, Stevens and Son, London
- Gerritson R (1986), "The Necessity of "Corporatism": The Case of the Hawke Labor Government" in Politics, Vol21 No1, May 1986
- Gleeson A and Lascelles A (1992), Review of the Research and Development Corporation Model, DPIE, Canberra
- Graham BD (1966), The Formation of the Australian Country Parties, ANU Press, Canberra
- Hadwiger DF and Browne WP (1978), The New Politics of Food, Lexington Books, Lexington
- Hague DC (1971), "The Ditchley Conference: A British View" in Smith BLR and Hague DC, The Dilemma of Accountability in Modern Government: Independence Versus Control, MacMillan, London
- Hague DC, Mackenzie WJM and Barker A (1975), Public Policy and Private Interests: The Institutions of Compromise, MacMillan Press, London
- Halligan J and Power J (1992), Political Management in the 1990s, Oxford University Press, Melbourne
- Harman EJ (1992), "Public and Corporate Duties: The Lloyd Case in Western Australia" in Australian Journal of Public Administration, Vol 51 No 1, March 1992
- Hogbin G and Wills I (1991), "Submission to Industry Commission Inquiry on Statutory Marketing Arrangements for Primary Products", in Industry Commission op.cit.
- Holland P (1979), Quango, Quango, Quango, Adam Smith Institute, London
- Holzer M (1992), Public Productivity Handbook, Marcel Decker Inc, New York
- Hood C (1982), "Governmental Bodies and Government Growth" in Barker A, Quangos in Britain, MacMillan, London

- Hutton T (1988), "Why Government Became So Involved in Business" in Business Review Weekly, 14 January 1988
- Industry Commission (1991), Statutory Marketing Arrangements for Primary Products, IC Report No.10, AGPS, Canberra
- Jackson J and McConnell CR (1988), Economics, McGraw-Hill, Sydney
- Jaensch D (1989), The Hawke-Keating Hijack: The ALP in Transition, Allen and Unwin, Sydney
- Jarrett FG and Lindner RK (1982), "Rural Research in Australia" in Williams DB, Agriculture in the Australian Economy, Sydney University Press, Sydney
- Jennett C and Stewart RG (1990), Hawke and Australian Public Policy, MacMillan, Melbourne
- Joint Committee of Public Accounts (1992), Public Sector Research and Development: Volume One of a Report on Research and Development, Report 318, AGPS, Canberra 1992
- (1991), Annual Reporting Guidelines for Statutory Authorities, Report 309, AGPS, Canberra
- (1989), The Auditor-General: Ally of the People and Parliament - Reform of the Australian Audit Office, Report 296, AGPS, Canberra
- Johnson N (1982), "Accountability, Control and Complexity: Moving Beyond Ministerial Responsibility" in Barker A, Quangos in Britain, MacMillan, London
- Keating M and Holmes M (1990), "Australia's Budgetary and Financial Management Reforms" in Governance: An International Journal of Policy and Administration, 3(2), April 1990
- Kerin J (1986), Reform of Commonwealth Primary Industry Statutory Marketing Authorities, AGPS, Canberra
- (1988), The Australian, 27 April
- (1985), Reform of Primary Industries Marketing Authorities, Address to Institute of Chartered Accountants, 12 November 1985

(1983), Address to a Seminar on the NSW Government's Proposed New Marketing of Primary Products Act, 12 September 1983

Kerin J and Cook P (1989), Research Innovation and Competitiveness: Policies For Reshaping Australia's Primary Industries and Energy Portfolio Research and Development, AGPS, Canberra

(1989), Second Reading Speech: Primary Industries and Energy Research and Development Bill 1989, Canberra

(1988), Policies for Growth, AGPS, Canberra

Kouzmin A and Scott N (1990), Dynamics in Australian Public Management: Selected Essays, MacMillan, Melbourne

Lewis G (1992), A Middle Way, Brolga Press, Canberra

Lewis JN (1972), "Institutional Change in Australian Agriculture" in Throsby CD, Agricultural Policy, Penguin, Melbourne

Lloyd AG (1982), "Agricultural Price Policy", in Williams DB, Agriculture in the Australian Economy, Sydney university Press, Sydney

Mackenzie JM and Hood CC (1975), "Administrative Control, Collusive Conflict and Uncoupled Hierarchies" in Hague DC, Mackenzie WJM and Barker A, Public Policy and Private Interests: The Institutions of Compromise, MacMillan Press, London

Management Advisory Board and Management Improvement Advisory Committee (1991), Accountability in the Commonwealth Public Sector, AGPS, Canberra

Marshall N (1985), "Rural Interest Groups" in Costar B and Woodward D Country to National Australian Rural Politics and Beyond, Allen and Unwin, Sydney

Marsden JS, Martin GE, Parham DJ, Ridsill-Smith TJ and Johnston BG, Returns on Australian Agricultural Research, IAC-SCIRO, Canberra

Martin W (1990), "Rural Policy" in Jennett C and Stewart RG (1990), Hawke and Australian Public Policy, MacMillan, Melbourne

Matthews T (1989), "Interest Groups" in Smith R and Watson L, Politics In Australia, Allen and Unwin, Sydney

(1988), "Vitaly Important Allies? The Role of Interest Groups in Government Decision Making" in Australian Journal of Public Administration, VolXLVII No2, June 1988

(1976), "Interest Group Access to the Australian Government Bureaucracy" in Royal Commission on Australian Government Administration (1976), Appendix to Report: Volume 2, AGPS, Canberra

Mauldon RG and Schapper HP (1974), Australian Farmers Under Stress in Prosperity and Recession, University of WA Press, Perth

Milazzo C (1992), "Annual Reports: Impediments to Their Effective Use as Instruments of Accountability" in Australian Journal of Public Administration, Vol51, No1, March 1992

Minogue K and Biddis M (1987), Thatcherism: Personality and Politics, MacMillan Press, London

Mishra RK and Ravishankar S (1986), Public Enterprises in the World, Himalaya Publishing House, Bombay

Musolf LD (1959), Public Ownership and Accountability, Harvard University Press, Cambridge Massachusetts

National Farmers' Federation (1989), Annual Report 1988-89, NFF, Canberra

(1988), Annual Report 1987-88, NFF, Canberra

Newton A (1992), "The Pursuit and Delivery of Quality in the Public Service: The Citizen's Charter", Press Release, British High Commission, 10 September 1992

Newton AB (1992), Strategic Management Concepts and Practices, AGPS, Canberra

(1990), "Innovations in the Administration of Primary Industry Statutory Authorities" in Kouzmin A and Scott N, Dynamics in Australian Public Management: Selected Essays, MacMillan, Melbourne

- Normanton EL (1971), "Public Accountability and Audit: A Reconnaissance" in Smith BLR and Hague DC, The Dilemma of Accountability in Modern Government: Independence Versus Control, MacMillan, London
- Nugent-Smith J (1984), "Agri-Giants Classh: Multi-Nationals Versus the Marketing Authorities" in RYDGES, November 1984
- Office of the Auditor-General (1981), Report of the Auditor-General Upon Audits, Examinations and Inspections Under the Audit and Other Acts, AGPS, Canberra, March 1981
- Overacker L (1968), Australian Parties: In a Changing Society 1945-67, Cheshire Publishing, Melbourne
- Pallot J (1991), "Accounting, Auditing and Accountability" in Boston J, Martin J, Pallot J and Walsh P (1991), Reshaping the State: New Zealand's Bureaucratic Revolution, Oxford University Press, Aukland
- Panitch L (1980), Social Democracy and Industrial Militancy: The Labour Party and the Trade Unions and Incomes Policy 1945-74, Cambridge University Press, London
- Paris H, Pestieau P and Saynor P (1987), Public Enterprise in Western Europe, Croom Helm Ltd, Beckenham UK
- Pifer A (1975), "The Non-Quasi-Governmental Organisation" in Hague DC, Mackenzie WJM and Barker A, Public Policy and Private Interests: The Institutions of Compromise, MacMillan Press, London
- Quirk J (1988), "Rural Research in the Tertiary Education Sector" in Bureau of Rural Resources, Workshop on the Organisation and Funding of Research for Rural Industries, AGPS, Canberra
- Ramanadham VV (1984), The Nature of Public Enterprise, Croom Helm, London, 1984
- (1959), Public Enterprise in Britain, Frank Cass & Co, London
- Rawls J (1971), A Theory of Justice, Harvard University Press, Cambridge
- Rhodes G (1975), "Accountability and Social Innovation: Some British Experience" in Hague DC, Mackenzie WJM and Barker A, Public Policy and Private Interests: The Institutions of Compromise, MacMillan Press, London

- Robinson D (1969), "Government Contracting for Academic Research: Accountability in the American Experience"
- Royal Commission on Australian Government Administration (1976), Appendix to Report: Volumes 1 and 2, AGPS, Canberra
- Savas ES (1992), "Privatization and Productivity" in Holzer M, Public Productivity Handbook, Marcel Decker Inc, New York
- Sawer G (1983), "Quangos and Ministerial Responsibility", in Australian Journal of Public Administration, XLII(1), March 1983
- Schmitter PC (1974), "Still the Century of Corporatism" in Review of Politics, No. 36
- Sedgewick S (1992), "Why the Development of a New GBE Accountability Framework?", Speech presented at the RIPAA(Vic Division)/MAB Conference on Accountability and Government Business Enterprise, Melbourne, 18 May 1992
- Senate Standing Committee on Finance and Government Administration (1989), The Timeliness and Quality of Annual Reports, AGPS, Canberra
- Senate Standing Committee on Finance and Government Operations (1982), Statutory Authorities of the Commonwealth, AGPS, Canberra
- Senate Standing Committee on Natural Resources (1982), The Commonwealth's Role in Rural research and Extension Services, AGPS, Canberra
- Seiper E (1979), "Rationalizing Rustic Regulation", a paper presented to the Australian Agricultural Economics Society, Canberra
- Smith BLR (1971), "Accountability and Independence in the Contract State" in Smith BLR and Hague DC, The Dilemma of Accountability in Modern Government: Independence Versus Control, MacMillan, London
- Smith BLR and Hague DC (1971), The Dilemma of Accountability in Modern Government: Independence Versus Control, MacMillan, London
- Smith R and Watson L (1989), Politics In Australia, Allen and Unwin, Sydney

- Smith T (1976), "Non-Statutory Bodies" in Royal Commission on Australian Government Administration (1976), Appendix to Report: Volume 2, AGPS, Canberra
- Smith WM (1936), The Marketing of Australian and New Zealand Primary Products, Pitman and Sons, London
- Stretton H (1984), "Directing the Australian Public Sector" in Canberra Bulletin of Public Administration, XI(4)
- Taylor J (1991), "An Address by the Auditor-General for Australia", Speech presented at the Royal Institute of Public Administration Seminar on Accountability, Canberra, 28 August 1991
- (1989), "Public Accounting Issues and Corporatisation in the Public Sector" in Australian Journal of Public Administration, XLII(1), March 1983
- Throsby CD (1972), Agricultural Policy, Penguin, Melbourne
- Trebeck DB (1982), "Primary Producer Organizations" in Williams DB, Agriculture in the Australian Economy, Sydney University Press, Sydney
- University of Western Australia (1991), Report to the Committee of Review of the Research and Development Corporation Model, School of Agriculture, Nedlands
- Vernon R and Aharoni Y (1981), State-Owned Enterprise in Western Economies, Croom Helm Ltd, Beckenham UK
- Vinning GS (1980), Statutory Marketing Authorities of Australia: A Compendium, SCA, Canberra
- Wadham S (1956), Selected Addresses, Melbourne University Press, Melbourne
- Wagner RB (1989), Accountability in Education, Routledge, London
- Walsh P (1987), Policy Guidelines for Statutory Authorities and Government Business Enterprises, AGPS, Canberra
- (1986), Statutory Authorities and Government Business Enterprises, AGPS, Canberra

Watson AS and Parish RM (1982), "Marketing Agricultural Products" in Williams DB, Agriculture in the Australian Economy, Sydney university Press, Sydney

Wesley P (1988), Address to National Agribusiness Conference, Canberra, February 1988

Wettenhall RL (1990), "Australia's Daring Experiment with Public Enterprise" in Kouzmin A and Scott N, Dynamics in Australian Public Management: Selected Essays, MacMillan, Melbourne

(1987), Public Enterprise and National Development: Selected Essays by Roger Wettenhall, RAIPA, Canberra

(1986a), "Public Enterprises in Australia" in Mishra RK and Ravishankar S, Public Enterprises in the World, Himalaya Publishing House, Bombay

(1986b), "Statutory Authorities and Government Business Enterprises: Some Observations on Recent Policy Papers" in Canberra Bulletin of Public Administration, XIII(2), Winter 1986

(1983), "Quangos, Quagos and the Problems of Non-Ministerial Organization" in Australian Journal of Public Administration, XLII(1), March 1983

(1976), "Statutory Authorities" in Royal Commission on Australian Government Administration (1976), Appendix to Report: Volume 1, AGPS, Canberra

(1975), "The Statutory Corporation Idea and the Snowy Scheme" in Scott RD, Development Administration and Regional Projects, CCAE, Canberra

(1967), "Organisations With Two Faces" in Australian Transport, 12(1) 1967

(1965), "Public Ownership In Australia" in Political Quarterly, 36(4) 1965

(1964a), "Savings Banks, Bureaucracy and the Statutory Corporation, in Australian Journal of Politics and History, 10(1) 1964

(1964b), "Federal Labor and the Statutory Corporation Under Matthew Charlton", in Labour History, No6 1964

(1963), "Administrative Boards in Nineteenth Century Australia" in Public Administration, 22(3) 1963

Wilding R (1981), "A Triangular Affair: Quangos, Ministers and MPs", in Barker A, Quangos in Britain, MacMillan, London

Williams DB (1982) and (1967), Agriculture in the Australian Economy, Eds. 1 and 2, Sydney University Press, Sydney

(1957), Economic and Technical Problems of Australia's Rural industries, Melbourne University Press, Melbourne

Williams R and Evans G (1989), "Commonwealth Policy for Rural Research Past and Present: A Review" in Bureau of Rural Resources, Proceedings No.4: Workshop on the Organisation and Funding of Research for the Rural Industries, AGPS, Canberra

(1990), "The Bureaucracy" in Jennett C and Stewart RG, Hawke and Australian Public Policy, MacMillan, Melbourne

Zadnik E (1990), In Disunity, Weakness, Unpublished Masters Dissertation, CCAE, Canberra