

**GOVERNING THE PRIVATISED STATE: THE
ACCOUNTABILITY CHALLENGE**

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INTRODUCTION

For three decades now governments around the world have been privatising. Australia joined the privatisation fashion in the 1990s, with the State of Victoria engineering a AUD \$33b sell-off - the world's highest sales proceeds as a proportion of GNP. Better efficiency and improved services have been promised. As well, improved accountability has been a central promise of privatising reformers. But how does the empirical evidence on this look and what are the lessons here?

Privatisation activities include a variety of different techniques with the most common being enterprise sales, contracting-out government services and the provision of public sector infrastructure through privately funded mechanisms, and the claim of improved accountability has been a common thread through all. But to what extent do privatised arrangements really affect accountability? And how might we reconcile differing claims about changes in accountability with privatisation? As well, how might we better understand the changing accountability mechanisms and expectations that were simultaneously being introduced alongside these privatisation reforms?

This chapter begins by looking at the general philosophy of accountability and the degree to which the privatisation of public sector activities might be expected to improve or worsen in abstract terms. We then explore the notion of accountability in more detail and outline the debate around accountability in the privatised state. The chapter then looks specifically at three privatised activities in the state of Victoria and compares the different systems of accountability against pre-existing accountability arrangements under public operation. The sale of electricity sector enterprises, the operation of urban rail service franchises and the implementation of a public-private partnership project to supply transport infrastructure are investigated. Finally, the chapter draws together some general conclusions on accountability in the privatised state.

ACCOUNTABILITY CHALLENGES WITH PRIVATISATION

Privatisation around the globe has been accompanied by a vigorous debate. In terms of accountability impacts, most reviews of reforms such as divestiture or contracting government services have simply asserted that accountability improves with privatisation. Bishop et al (1994), for instance, argues that accountability is clearly increased through a sale. "One of the more striking consequences of privatization is the extent to which it has made the behaviour and performance of privatized companies more transparent", they note. Rather than public sector enterprises being "submerged in the depths of government ministries" where accountability for performance was almost impossible to establish, privatization created distinct enterprises "with clearly defined lines of responsibility". This argument of Bishop et al is appealing in its simplicity and from a narrow managerial or financial perspective, updating the previously ambiguous cash based accounting systems with poor financial controls by better accrual based accounting techniques would indeed result in real accountability improvements.

Mulgan (1997) and Donahue (1989), however, caution against these simplistic assumptions. To them, "there is no reason to believe that private organisations will always, or usually improve accountability" Donahue (1989). Moreover, authors such as Ernst (1994) and Saunders and Harris (1994) go further, saying that in practice, privatization has resulted in reduced accountability.

Central to the accountability controversy has been the question of open-ness and transparency. Both the sale of the enterprise as well as the ongoing operations following the sale needs to be transparent. This has not always been so, with numerous examples around the world exemplifying a lack of transparency in the programs of Australia, Guinea, Mexico, Pakistan and the United Kingdom.

Taggart (1992), in New Zealand, was scathing of claims of improved accountability. He argued that the legal process of privatization itself stripped away most of the broader accountability mechanisms that operate in the public sector - Ombudsman review, Freedom of Information, scrutiny by the Auditor General, and ministerial responsibility. He coined the term "accountability vacuum" and feared that courts may be drawn into this arena. Even further along this line of criticism was Kelsey (1993). She saw closed, secret decision-making practices along with contempt for proper parliamentary procedures throughout the New Zealand privatization process as being "anti-democratic". Power, in Kelsey's eyes, had been transferred away from the sovereign State and privatization had played a central role in this.

At a minimum, privatization brings into focus different values. The traditional values expected of the public sector are ones of open-ness and formal checks, and contrast the values of the private sector in terms of speedy commercial decisions behind closed doors.

Accountability Concepts

Accountability holds government and society together like glue and is at the heart of modern democratic processes. Put simply, the idea of accountability is that when we are requested by others to achieve something, we report back to them on how we have performed (Hughes 1994, p237). This might be done at a personal, team or organisational level, or even at the level of a government in its relationship with citizens. Accountability is also a larger notion than just reporting back. What models and frameworks might be useful in guiding our investigations here? We will note a few of the many available.

Simple Frameworks

Arguably the most famous concept of accountability for essential services is the notion of "Ministerial accountability". It is simple and powerful. The idea is that Ministers are accountable, in the end, for all activities within their portfolio of responsibility. The notion is that Ministers develop policy, which is then implemented by a neutral and professional public service administration. The line of accountability therefore begins with public servants who are accountable to their hierarchical superiors, and through Ministers, ultimately to the Parliament. The Parliament's elected members are also assumed to act on behalf of the citizenry.

The Westminster model of Ministerial accountability has failed to live up to its promise, however, despite its simple appeal. As critics bluntly put it, "in practice it was a failure" (Hughes 1994, p244), and in reality, this system essentially aimed at accountability for errors rather than accountability for achieving results (Funnell & Cooper, 1998). One characteristic of this failure is the observation that ministers almost never resign for even major performance shortfalls (Marshall, 1989, Woodhouse, 1994).

Some useful ideas have nonetheless been added onto the traditional model. Corbett (1992), for instance, suggested that as well as 'upwards' accountability to the Minister, Parliament and the people, accountability 'inwards' (to a personal or moral public code), and accountability 'outwards' (to the community) were also both important. The last half of the 20th Century has seen the rise of accountability mechanisms such as Freedom of Information legislation, the Ombudsman, and Administrative Law to ensure governments of the day were kept honest and accountable.

The failure of the traditional 'Ministerial responsibility' ethos has not been universally accepted. To some, its symbolism is more important than its operations, whilst to others, the idea that accountability (and hence power) should be dispersed in a democratic system rather than concentrated in the hands of Ministers and their departments is an anathema.

Many other simple models of accountability also exist. In terms of the managerial view, accountability is principally defined in terms of set objectives being met, and in terms of outputs

such as specific services being delivered to defined quality levels. This simple accountability model underpins the global trend towards the contractualisation of government.

Sophisticated Frameworks

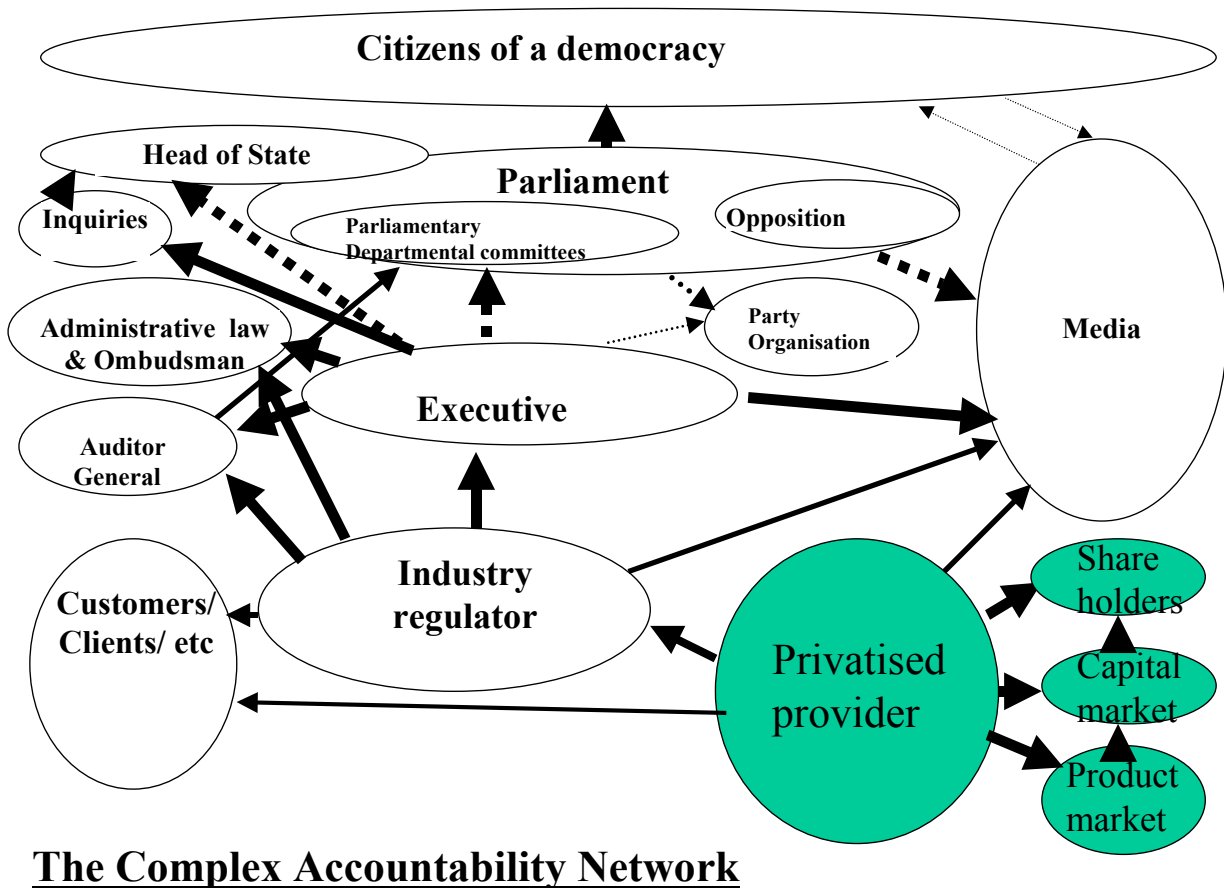
Accountability through a more sophisticated lens is based on the idea that dispersed power within a liberal democratic system is a sensible principle. As power is dispersed, so is accountability spread between multiple actors and institutions. Several perspectives on this dispersal of power, and hence the dispersed accountability framework, are available. Stone (1995), for instance, provides a framework in terms of five administrative accountability elements, each implying different styles of relationship.

- (a) Accountability as Parliamentary Control (with a superior-subordinate relationship); this Ministerial responsibility sees administrators and agencies being responsive to the concerns and obligations of members of Parliament
- (b) The Managerialist Conception of Accountability; (with a principal-agent relationship); with strategic control, agency self-evaluation and periodic external evaluation against specified performance measures being emphasized
- (c) Accountability as Judicial and Quasi -judicial Review; (with an appellant-respondent relationship); emphasising strict formal decision making standards and rules preventing conflicts of interest, with legal processes to test the degree of accountability through the Courts or Administrative Appeals Tribunals
- (d) Accountability as Constituency Relations, (with a constituent-representative relationship), where individual concerns may be represented through governing boards, annual meetings of constituents, public hearings, advisory bodies, regulatory agencies, consumer councils or ombudsmen, and
- (e) Market Accountability; (with a customer-entrepreneur relationship); where service providers are responsive to consumers, and a choice of supplier, quality and quantity of service are available; Stone (1995).

Individual citizens have different accountability relationships in each of these five conceptions of accountability. Some accountability systems are top-down, and some are bottom-up.

The accountability model of Coghill (2000) is more complex again. He observes that, in reality, accountability operates through a complex accountability 'network', including the Parliament, Parliamentary select committees, the Opposition, the Parliamentary and organisational wings of the political parties, the Auditor General, the Ombudsman, intergovernmental organisations, the Commonwealth Government, the media, Royal Commissions or Inquiries, and the electorate. He observes that market sector actors form only part of the accountability network where services are privatised. As well, he observes that within this network, the strength of accountability will depend on how individuals and institutions exchange information and the values, ethical norms and skills of people such as political leaders and the media. Coghill's network conception of accountability arrangements in the case of, say, a fully privatised utility service such as electricity, is shown Figure 1.

Figure 1: Complex Accountability Network Under Privatised Utility Services



Another powerful set of accountability ideas comes from Romzek and Dubnick (1987). Their analysis of the space shuttle Challenger disaster in January 1986 suggested four types of accountability - hierarchical (or bureaucratic) accountability, legal accountability, professional accountability and political accountability. They argued that the NASA project had previously been an organisation in which professional accountability had prevailed, but that the pressures to develop a politically responsive agency became dominant, over time. The reliance of hierarchical and political accountability systems over professional accountability systems produced circumstances in which the Challenger disaster eventually occurred.

What are the accountability lessons here? We should recognise up front that the traditional doctrine of Ministerial accountability no longer reflects reality. Multiple dimensions to accountability are now relevant in the real world of a pluralist democracy. Looking at the accountability debates with privatisation, we might also suggest that there has been much assertion but too little examination of the evidence thus far. Accountability in terms of its component parts needs greater analysis in order to learn from experience. As well, we could posit that managerial accountability is likely to have increased through privatisation from the global experience. The cost of this, though, appears to have been decreased public accountability mechanisms such as parliamentary control accountability (which by definition is dramatically changed following privatisation), and quasi-judicial accountability (such as through administrative law remedies). The interests of constituents has been altered with mechanisms such as political intervention to redress grievances, the use of a public hearings and advisory bodies being curtailed, but being replaced, at least potentially with regulatory agencies, consumer councils or ombudsmen. Moreover, the accountability impacts on

customers in the sense of 'market accountability' have also been uncertain, particularly since there has usually not been any real 'market' for utility services at all. Overall, then, claims of whether there has been an overall net gain or loss in accountability would depend on the arrangements created in specific privatisation cases as well as the issue of whether justice and efficiency are additive qualities in the first place.

Our tentative hypothesis from these observations then is that the privatised state seems to operate with increased managerial accountability, but with decreased public, or political, accountability. This is perhaps hardly a surprising idea given that one reason for privatising in the first instance was to remove services from the 'undue influence of politics'. Any continuing concerns that the privatised state should be accompanied by more, not less, accountability to Parliament deserves serious reflection in this light. There is little doubt from the international privatisation evidence that citizens continue to have a strong desire for governments to remain politically accountable for their decisions in the arena of essential services. Some of the detailed consumer service issues will become the responsibility of the new owners, but public policy on the privatisation decision itself, any implicit changes to service parameters, standards, prices or quality and accountability for the system-wide provision of essential services should, as far as the public are concerned, remain with elected representatives. Clearly, citizens expect essential services to meet their needs, irrespective of ownership. Also complicating our assessments here is the observation that citizen expectations of service providers, including the standards that ought to be met, the quality desired and the price efficiency of provision, continue to rise. In other words, citizens now expect more than in the past. The degree to which such expectations are being met is at the heart of the accountability debate, given the fundamental nature of this government-citizen relationship in democratic governance systems.

CASE STUDIES

Privatisation of Electricity

Almost AUD \$23 billion of Victoria's sell-offs during the 1990s were from the privatisation of the electricity industry. All generators, distributors, retailers and the transmission organisation are now private, except in that, in an ironic twist, recent sales have placed large sections of the industry in the hands of a Government Linked Corporation in which the Singapore Government has control (Jones, 2004). Not a popular move, these sales attracted concern from citizens, with issues of accountability being central to this.

A major feature of the newly operating privatised electricity system, the details of which are published elsewhere (Hodge, 2003, Ward and Hodge, 2004), has been the strong role played by the industry regulator, the Essential Services Commission (ESC) (formerly the Office of the Regulator General). The ESC is charged broadly with protecting the interests of consumers whilst simultaneously ensuring that the electricity system as a whole remains viable. It achieves this through licensing industry participants and through its powers to control prices and ensure information accessibility for decision making in the public interest. Its objectives in terms of consumer protection are specific - the office exists to protect consumer interests, specifically with regard to price, safety, quality and reliability of electricity supply (Office of the Regulator General 2001). It was also, to the credit of the initiating Kennett Government, independent of political direction by the government of the day. To date, it has indeed been strong in its independence, responsive to citizen concerns and beneficial to electricity consumers¹.

The Australian Competition and Consumer Commission also regulates businesses for anti-competitive conduct and unfair market practices. As well, the ESC's overview and systems

¹ Strict license conditions exist for regulated businesses in the electricity market, and these require companies to report a range of financial, non-financial and service delivery performance information.

management role has been complemented by the creation of an industry funded Energy and Water Ombudsman to investigate electricity consumer complaints.

Looking at the operations of the ESC, monitoring of electricity operations as vested in the ESC, is now being undertaken to a higher standard than previous reporting under public ownership (Hodge 2004). Whilst not all aspects previously reported are now covered, there are several new aspects. These include detailed service quality parameters at the level of local areas, more sophisticated system-wide network reliability indicators, customer call centre response and helpfulness, customer complaint levels, energy ombudsman consultations and dispute records.

Some lingering accountability concerns still exist, however. These cover claims of socially regressive outcomes of privatisation; safety performance (managed by the new Office of the Chief Electrical Inspector); environmental performance; and system capacity planning information (with planning nowadays more subject to market demand and supply forces). The most critical of these appears to be system capacity planning accountability, where many commentators are concerned that an electricity supply system essentially in the hands of market pressures may lead to electricity shortages in future. We might also note in passing that prior to the sale of the electricity sector, citizens had access to information held by the organisations through Freedom of Information legislation, and rights under Administrative Law not available once privatised.

Franchised Rail Transport

Melbourne's metropolitan rail services had been in public hands for a century, and were operated by the Public Transport Corporation (PTC). They were privatised in a dramatic response by the Kennett Government to an embarrassing strike of public transport union members in March 1997 during the Melbourne Formula One Grand Prix – the race itself a symbolic project dear to the heart of the reforming government. The decision to sell franchises for rail and tram services was a direct response to this perception of union power.

One of the operators relinquished its franchise from December 2002 with services reverting to State operation at least in the interim; the other two franchises continued to operate, but whole franchise system has since been re-structured (Heasley, 2004).

How did accountability change with this privatisation? Under the previous public operation, the PTC was effectively accountable to the Minister and the Minister was accountable for the performance of public transport services. Passenger complaints or requests in relation to services could be raised with the minister. Requests by ministers for reports or actions - "ministerials" – were treated as of the highest priority in the public service. "Ministerials" could arise from individuals contacting a minister's office, from media reports, by being raised by a Member of Parliament, or through debate in Parliament. Ministerials, therefore, provided an important part of the accountability system at this time. The Victorian Ombudsman was also available to investigate complaints, though few people took up this option.

Broader accountabilities for overall service delivery and expenditure matters were exercised through conventional mechanisms including annual reports, Auditor-General reports, examination by the Public Accounts and Estimates Committee and Individual Ministerial Responsibility. The media also paid close attention to public transport issues and the operating costs ("losses") were regularly reported.

After privatisation, few such mechanisms existed. Whilst the franchise agreement had general performance standards, it was difficult to discover how and where to contact the operators with any specific concern other than timetable information. A free call telephone number existed but the largest operator declined to make it widely known, and the Ombudsman had no authority to investigate non-government entities.

The privatisation of urban rail public transport largely coincided with the introduction of an automated ticketing system, conceived over the previous decade, but mechanically unreliable and designed with the interests of transport planning bureaucrats and the operators rather than passengers in mind. This disastrous system led to major fare evasion as a popular form of civil disobedience.

The picture that emerged was of a privatised system in which accountability to those most affected – the passengers - was dramatically reduced. Customer satisfaction surveys were commissioned by the Government and published quarterly, but ministers were content with arms length responsibility for the management of the franchises, and complaints were referred to the operators. Paradoxically, this reduction in accountability occurred in the midst of strengthened managerialist accountability mechanisms in the franchise agreements, and with the state expecting savings of some \$161million per year compared to publicly run services (Auditor General 2001-2002).

More latterly, the Bracks Government established a public transport ombudsman function in 2004, to receive and deal with complaints, particularly the behaviour of ticket inspectors (Batchelor 2002). The Auditor General no longer had any right or role to investigate transport operations and detailed expenditures for Parliament, except in respect of the overarching management of the franchises. Conversely however, the level of public reporting of service performance levels was substantially greater than available previously.

Overall then, the operators were certainly accountable to their shareholders, but citizens of Victoria were not seen by the operating companies as bona fide stakeholders beyond the formal 'customer' provisions of the franchises.

Road Infrastructure Through Public-Private Partnerships

Public-private-partnerships (PPPs) for infrastructure projects have promised Victorian citizens better efficiency and improved services (Department of Treasury and Finance, 2001) along with strengthened monitoring and accountability. Melbourne's City Link road infrastructure project was a massive build own operate transfer (BOOT) undertaking, and as well as being one of Australia's largest public infrastructure projects in recent times, it has become a symbol of the former Kennett Government's approach to public infrastructure. The City Link project links up three major freeways in Melbourne - the South Eastern, West Gate and Tullamarine Freeways through the construction of 22 kilometres of road, tunnel and bridge works (Hepburn et al 19997). Its development began taking shape in 1994, when a brief was issued calling for parties to register their interest to complete the project. Two consortia were chosen for further discussions, and following another project brief specifying requirements, the Transurban City Link Ltd consortia was nominated as the preferred bidder.

The estimated cost of the whole City Link project, opened over the period 2000/2001, was approximately AUD\$2.1billion, including \$1.8billion financed by the consortium and \$346million of associated works and other costs financed by the state. The consortium leased land from the state to operate a public tollway for 34 years, with ownership reverting to the state at no cost and in a fully maintained condition (Auditor-General 1996). The risks relating to the project were to be shared between the private sector, the State and users of the link.

In terms of governing this project, the Victorian Parliament passed specific enabling legislation (the Melbourne City Link Act 1995), and established a statutory authority (the Melbourne City Link Authority - MCLA) to be the State's contract manager (Russell et al 2000). As well, an Office of Independent Reviewer was established through a deed between the MCLA and the consortium to approve the technical adequacy of the project throughout the design and construction phases. Furthermore, through MCLA, the Government entered into a series of contractual arrangements with the consortium for the 34 or more year project life including leasing public land to the consortium, and undertaking to construct works associated with the project valued at \$170million as well as covering other expenditures of \$176million (Russell et al 2000).

DISCUSSION

Electricity Privatisation

There is little doubt that democratic accountability to citizens reached an all time low throughout the initial electricity sale transactions. The Administrative Appeals Tribunal, the office of the Auditor General and other independent offices were all being attacked and weakened by the reform minded Government (Russell 1999). Even Parliament itself was rendered impotent and almost irrelevant according to some (Hayward 1999). The traditional stewardship ethos for public resources was overtaken by a gung-ho culture of business deals, obsessive secrecy, the removal of citizen's rights, and watering down of Freedom of Information laws (Hodge 1999).

Public accountability was seen as both an inconvenience and an irrelevance to an administration bent on privatising against all contrary opinion. The paradox here, was the concomitant existence of high accountability in managerial terms and strong accountability through the new independent industry regulator after the sale transactions. This represented a strengthening of the constituency relations aspect of accountability given the role of the regulatory agency to act on behalf of consumers interests.

How might we then assess the current operation of privatised electricity supplies in Victoria in respect to accountability? We appear to have substantially met the joint imperatives of allowing some independence of operation by private companies whilst also being largely accountable for services provided to citizens. This result is perhaps a testament to the purity of the market ideas put in place at the generation and distribution levels as well as the strength of the regulatory arrangements established through the Essential Services Commission to protect consumer interests in electricity. The complete restructuring and privatisation of electricity was a risky political gamble in that it attracted doubts from Churches, the Business Council and even architects of Australia's competition reforms. The end result of the process, though, was a uniquely systematic and well designed reform with little of the usual political compromise evident in large public policy reforms.

Clean initial privatisation transactions were achieved through strengths in the managerial and market accountability dimensions. This achievement needs to be reconciled against the criticisms of obsessive secrecy, centralized power and an impotent Parliament, however. Using Stone's typology, the Parliamentary and Judicial/Quasi-Judicial dimensions of accountability were reduced.

Rail Privatisation

A mixed message emerges looking at the case of metropolitan rail services. On the one hand, the passengers clearly lost powerful opportunities to directly require accountability for the details that matter to them, such as grievances over timetabling, service punctuality and reliability, service quality, cleanliness, security, vehicle quality and the handling of disputes over ticketing. And justice was severely eroded with the removal of enforcement behaviour of ticket inspectors from independent review. But on the other, there were improvements. People now have information on which to assess overall levels of key indicators such as the aggregate reliability of services. This was an improvement over previous performance reporting systems operated by the publicly owned monopoly. These had been disbanded through the 1980s because of the risk of political embarrassment during periods of poor service. Likewise, political accountability for the high levels of public expenditure involved was both diminished and increased. Accountability was diminished in the sense that franchises largely removed democratic control over the detail of the services provided and public scrutiny of subsidies became less direct. As well, the authority to take corrective action in the light of citizen concerns was for all practical purposes now the preserve of the franchisees. Accountability for expenditure was increased, though, in the sense that it seemed easier for government to resist the overtures of the several operators for increased subsidies and to seek to hold them to the terms of their franchises than may have been the case with the former monopoly public enterprise. Similarly, the services were less vulnerable to cuts in level or quality

when imbedded in 10 and 15 year franchise agreements than they may have been if dependent on annual budget appropriations.

Using Stone's typology, accountability as parliamentary control was therefore dramatically changed. Parliamentary control was now operating at the meta level and had in essence been superceded by the managerialist conception of accountability. A serious issue in terms of public management is whether such meta level control is more or less appropriate in a complex management environment. It may well be that the franchising model is more cost effective, but this needs to be balanced against the inflexibility of the privatised model to adjust to changing public requirements or transport policies. These rail franchise agreements foresaw only limited types of variation in the first few years of operations, and could not in the medium to long term readily accommodate significantly changed public transport policy requirements. Future governments may therefore be forced to buy the consent of the franchise holder or risk the consequences of exercising the sovereign powers of the Parliament. In other words, a change in public policy would be difficult to achieve unless the "contractual" relationship is such as to virtually mimic and effectively become part of the public service, albeit incorporating private equity.

We ought note as well that the rail services failed to provide accountability as judicial and quasi-judicial review, and that accountability as constituency relations was the area that was most weakened in the case of the rail services, with no-one directly representing the interests of users.

Infrastructure Privatisation

The CityLink PPP presented a mixed scorecard with respect to accountability. The major independent review of Russell et al (2000) found in essence that a large & complex project had been delivered on time and met the government's objectives. This had been achieved at a price, however.

The project had indeed been a challenging one, requiring a large technical advance in the tolling technology, real construction risks in tunnelling through soft Yarra River silt and considerable risks in environment issues concerning air quality and the height of the water table around the river. Most of these risks had been borne by the private sector in line with contracts. From a policy perspective, the government through this contract, had achieved in half a decade a major infrastructure project that a series of previous governments over the past two decades had not.

There was an accountability price, though, with several elements. First, the public accountability traditionally expected of governments was a casualty. No publicly available economic or financial evaluation had been undertaken prior to this project being commenced, little Parliamentary scrutiny, public consultation or disclosure had occurred, no comparison between financing this task in the public or private sectors had been done, and the City Link project was specifically excluded from Freedom of Information enquiries (Walker and Walker 2000). Second, this partnership deal was essentially a two-way affair between the Kennett Government and the successful bidder, rather than also directly including citizens. There was no provision for the protection of consumers in this deal, and this two-way deal did nothing to allay fears that investors' interests were protected over citizens' interests. Third, with little public debate, the community was being subject to a 'lock-in' for a period of up to 54 years, effectively binding the next dozen or so elected governments. Fourth, the complexity of the deal meant that despite assurances to the contrary, it has never been particularly clear just what the 'deal' was to which the state of Victoria had signed up. For instance, financial arrangements for the annual concession fee payable to the state for the monopoly facility, may vary by a factor of four depending on flexibility in timing options, on whether private investors have achieved over a 10% return on their equity and on whether sufficient cash flows are available from the consortium. This decision is to be made by the contractors (Russell et al (2000).

Overall, then, we might observe that political accountability reduced, with the rise of both managerial and market based accountabilities. Constituency relations accountability was low, with little acknowledgement of consumers, as was also Judicial/Quasi Judicial accountability in this

project, given the removal of Freedom of Information access for the project. The arguments of Walker and Walker (2000, p215) that PPPs have the potential to side step traditional forms of parliamentary accountability are pertinent here. It is absurd, they comment, that relatively small amounts of proposed expenditure require parliamentary scrutiny, while major contracts involving financial commitments stretching over several decades can be handled in secret by executive government.

CONCLUSIONS

What may be learned about accountability in the privatised state from this review? The common thread here has been the consistent reduction observed in political accountability and Judicial/Quasi Judicial accountability, along with a simultaneous rise in managerial and market-based accountabilities. The degree to which citizen accountability concerns have changed provides a more mixed picture, with customer representations being strong in examples such as electricity supply, but weak in others such as infrastructure provision through public-private partnerships.

Issues of public accountability, and in particular, stronger independent accountability bodies such as the state Auditor General, are central to today's citizens. In the case of Victoria, citizens rejected the elevation of managerialist values on which much of the Kennett Government's policies and style, including privatisation policies, were founded over public accountability concerns with the Kennett government losing office². These observations may have important implications for public management in democracies. They indicate that there are risks in adopting and implementing policies and administrative arrangements which are inconsistent with the underlying cultural values of the affected population.

These case studies also suggest that privatisation itself is not necessarily antithetical to cultural values that require public accountability in a democracy. Future privatisations should be designed to fully reconcile the potential conflict between managerialist values and the strong concern with public accountability found in many societies, in order to maximise and preserve benefits that may flow from this policy tool.

² This supports Swartz's findings that citizens' cultural values are highly resistant to manipulation and change (Schwartz et al., 2000).

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