

The changing role of the private sector and the community in developing environmental policy in Australia

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Abstract

The public policy development process involves both state and societal actors that have their own objectives. As a result, conflicts, negotiations and tradeoffs are core components of any policy-making process. It is through policy processes that government can be seen as defining the rights of individuals, and as a result the incentives and behaviours of those individuals. Traditional policy processes aim to deliver public value while being sensitive to the ideologies and values of interest groups. However, it has been noted that government policy-making activities are increasingly being viewed with suspicion rather than as an instrument of the people. As a result, the public policy process is moving towards a more interactive model, where governments seek to develop partnerships with private sector and civil society organisations to manage complex policy challenges. This paper discusses the key drivers of these changes and considers the implications for environment-related policy-making and strategic assessment.

Key words: Third Way government; Public private partnerships (PPPs); Third sector

1. Introduction

Howlett and Ramesh (1995) noted that the process of developing policy involves both state and societal actors that have their own objectives. As a result, conflicts, negotiations and tradeoffs are core components of any policy-making process. According to Barker (2000), it is through policy processes that government can be seen as defining the rights of the individuals, and as a result the incentives and behaviours of those individuals. However, Hughes (2003) noted that government activities have increasingly been viewed with suspicion rather than as an instrument of the people. Gelders et al., (2007) suggest that this is resulting in international phenomena such as the crumbling of “pillarization”, the de-idolization of government and the increasing volatility of the electorate. These changes have led to a reassessment of the role of the public sector in Australia, particularly in relation to economic aspects (Hughes, 2003). According to Haugh and Kitson (2007), the *public sector* includes all government and government-owned agencies that provide goods and services for consumption by society (public goods); 2) those underprovided for (merit goods); and 3) those unable to access private sector suppliers, while the *private sector* comprises corporations, firms and entrepreneurs assumed to be motivated by self-interest and profit maximization. They also define a ‘*third sector*’ comprised of organizations that aim to deliver social and environmental benefits that exist and operate outside (or between) the market and the state (e.g., community organisations, NGO’s, etc.).

Since 1983, Australia’s public policy processes have been moving towards more interactive models, where governments seek to develop partnerships with the private sector and community organisations to manage complex policy challenges (Pierson and Castles 2002; Reddel and Woolcock, 2004 in Boxelaar et al., 2006). The increasing role of the private and third sectors in public policy processes has, more recently, been associated with the emergence of the ‘Third Way’ ideology of government (see Hombach, 2000 and Heywood, 2002; Haugh and Kitson, 2007). Despite the broad nature of the Third Way ideology, it can be considered to accept globalisation and the concept of a knowledge economy, where government has a vital economic

and social role (particularly in relation to education and strengthening civil society) and embracing equality of opportunity and meritocracy (Heywood, 2002; Haugh and Kitson, 2007). According to Hodge (2004), one of the defining characteristics of governments that promote the Third Way is the adoption of public private partnerships (PPPs). There has also been a change in the relations between the state democracy, market capitalism and civil society to a situation where community is central to delivering and designing public policies (Adams and Hess, 2001; Haugh and Kitson, 2007). This paper discusses the key drivers of these changes and considers the implications for environment-related policy-making and strategic assessment.

2. Changing roles in developing and delivering public policy

2.1 The changing role of the private sector

Makin (2003) noted that since the early 1990's, the participation of the private sector has increased significantly at all levels of government in Australia, driven primarily by the need to reduce public debt levels stemming from earlier budget deficits. This has occurred primarily through PPPs, resulting in a greater reliance on the private sector to deliver traditionally public services¹. According to Makin (2003), it is through PPPs that government can obtain significant benefits through risk transfer and the use of private sector management skills and innovations, while retaining responsibility for strategic planning, core service delivery, regulation and consumer protection (see also Miller and Evje 1999). As a result, PPPs have become an increasingly popular option for project delivery in Australia, particularly in situations where there is a need for public services and/or infrastructure and constricted public spending. There are, however, government risks associated with PPPs, particularly related to its capacity to shift risks (see Hodge, 2004). Further, as noted by Grimsey and Lewis (2007), PPPs rarely get good press, with many in the community suspicious of private sector involvement in public sector activities. Another change in the role of the public sector in Australia was the corporatisation, and ultimately privatisation, of numerous public enterprises from the 1980's onwards. According to Makin (2003), since the early 1990's approximately \$70 billion worth of Australia's public infrastructure had been transferred to the private sector through privatisation to achieve cost reductions, lower the real prices of services to consumers and raise the return on public capital. The introduction of the National Competition Policy (NCP) in 1995 was also a major driver of this change².

There are numerous attractions for government to engage the private sector in the provision of traditionally public goods and services. In particular, private sector involvement can improve value for money in government service provision (New South Wales Government 2000). Another attraction relates to the improved management and pricing of risk. According to New South Wales Treasury (2002), a major difference between the private and public sectors is that private sector capital markets explicitly price the risk of a project into its sources of finance while the public sector relies on taxpayers to subsidise the cost of a project by bearing the risk of failures that are not priced into the government borrowing rate.

In the context of Australia's environment-related policies and projects, the private sector has been a driver of positive change, particularly through innovative PPPs (e.g., water security and renewable energy initiatives) (Perkins, 2006). Australia's environmental services industry now includes water and waste water management, river system and coastal zone management, land

¹ Hodge (2004) defined PPPs as long term business relationships where the government shares risks and returns with private businesses who are involved in financing, designing, constructing, owning or operating public facilities or services.

² The NCP was designed to increase the productivity of state-owned and other large entities and ensure more competitive, market based models of enterprise (Johnston, 2004).

management, rehabilitation and remediation, air quality monitoring and control, energy efficiency and renewable energy, waste minimisation, resource recycling, waste treatment and disposal, cleaner production technologies, monitoring, research, analysis and technology [Environment Industry Action Agenda (EIAA) (DITR 2001)]. The annual turnover of this industry was estimated to be between \$16 billion and \$20 billion in 2004-5 (up from \$8.6 billion in 1996-97) with major growth areas including water and wastewater, land management, remediation and rehabilitation, renewable energy and building energy efficiency [Barton Group (2005) in Perkins (2006)]. When considered in the context of the declining total public capital expenditure, (see Makin 2003), there is a clear role for the private sector to finance environment-related goods and services that have traditionally been in the realm of the public sector, particularly in jurisdictions where there are strong governance arrangements in place, the institutional framework is well developed and effective regulation is evident (Peet 2003).

2.2 The changing role of community groups (the third sector)

Adams and Hess (2001) argue that the role of community in public policy and management is increasing, representing a shift in relations between the state, the market and the community (see also Hess and Adams, 2002; Boxelaar et al., 2006; Haugh and Kitson, 2007). Further, community groups (i.e., the third sector) can be an important source of knowledge regarding the needs of users, and can be more flexible in providing goods and services that reflect local situations (Haugh and Kitson, 2007). An example of a successful conservation model is offered by the Australian Wildlife Conservancy (AWC). The AWC is a non-profit organisation dedicated to conserving flora and fauna through the establishment of a national network of non-government sanctuaries, funded primarily through donations from the public. At the time of writing, the AWC owned 18 sanctuaries, covering 2.15 million hectares (5.3 million acres), of freehold land around Australia. This is an interesting and new approach to conservation in Australia, where the implementation of on-ground conservation programs has traditionally been the responsibility of the public sector.

One reason for the emergence of community participation in public policy processes is the proposition that policy processes that involve those upon whom they will impact are more likely to gain the support required to implement the policy successfully (Adams and Hess, 2001). An excellent example of this situation is offered by Landcare Australia, where private landowners have been engaged in local community partnerships with government and business to undertake environmental restoration and protection activities on private and public land. This initiative receives cash funding through government grants, but relies heavily on volunteers and private landholders to contribute cash and in-kind resources to match government funds (Sobels, 2001). Another reason for the emergence of the third sector in Australia relates to the need for greater economic rationalism in government, resulting in a reduction in the size of the public sector and a rise in the reliance on partnerships with community groups (often reliant on volunteers) for service delivery (Adams and Hess, 2001). An example is offered by Marshall et al. (2005), who describe a successful community partnership related to orchid conservation in Victoria. In this case, the Department of Sustainability and Environment (State Government of Victoria) was responsible for preparing action plans for endangered orchid species but had a limited capacity to complete all of the required actions for each plan. As a result, a large resource of non-government personnel, made up of Australian Native Orchid Society members, field naturalists and the general community were successfully mobilised to assist with the required conservation actions that would otherwise have not been achieved (Marshall et al. 2005).

It is, however, important to recognize that involving the community in public policy processes is not a panacea for solving intractable problems and that further thought needs to be invested in how best to harness the positive potential offered by the community in environment-related policy and strategy (Adams and Hess, 2001).

3. Implications for strategic policy and assessment

According to the Australian Public Service Commission (APSC) (2003), there is now a two-part question facing government on any policy issue: 1) is government intervention required to ensure a service is provided, and if so, 2) would a better result be achieved if the service were provided directly by government, or via competing non-government providers? Based on a review of the recent literature, the answer to the second part of this question is increasingly being considered in the context of whether private or community partnerships are the best option for achieving public policy objectives. However, the changing relationships between the various sectors, as presented in this paper, have implications for the environment-related strategies of government. For example, when government agencies are looking to design and develop strategic policies and plans that draw on rigorous environmental / regional impact assessments, public consultation and community engagement are considered high priorities that will influence the decision outcome (e.g. Regional Forest Agreements). Add to this the potential for third sector agencies to identify an environmental problem, define the desired public policy outcome and implement the solution independently of government (e.g., AWC, Section 2.2), and a very interesting and important shift in tactical decision-making power emerges. Similarly, when involving the private sector, there has been a shift in the role of government to focus almost exclusively on strategic issues such as defining measurable output terms, optimising risk allocation, identifying the market of bidders prepared to compete, encouraging innovation, and ensuring that the project size justifies the transaction costs and ongoing management (State Government of Victoria, 2000). In both cases, the role of Australian government is moving towards a focus on *strategic* direction setting and facilitation, conceived in the context of partnerships, rather than the more 'traditional' approach of government driving *tactical* decision making processes designed to achieve their stated strategic objectives. In this context, Strategic Environmental Assessment (SEA) should play a prominent role in defining and integrating the interests and efforts of all players working to achieve common environmental outcomes.

4. Conclusion

This paper discusses the emergence of private and community organisations in developing public environmental policies in Australia. It explains that the increased role of non-state actors in environment-related decision-making processes has resulted in government concentrating more on strategic direction setting and facilitation, and leaving more of the tactical decision-making to partner agencies. As a result, Australia's public sector is now working towards improving communication, strengthening project management, risk management and economic analysis skills, facilitating decentralised decision-making processes and negotiating government policy. In this context, SEA has the potential to be more widely applied to help integrate the common interests between the public, private and third-sectors and to better coordinate societal efforts to improve environmental performance.

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